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CHAPTER I.

INTRODUCTION.

The finances of Massachusetts in colonial and provincial days have been carefully studied by several investigators,¹ but little attention has been given to the subsequent experience of the commonwealth.² In partial supply of the deficiency, this essay proposes to consider the financial policy of the state since the establishment of the present government under the constitution of 1780.

Studies of the earlier period have shown that in the seventeenth century a financial system was established which in its main outlines survived until the close of the eighteenth. The expenses of the province and commonwealth were comparatively light, providing the bare necessities of civil government upon a modest scale; and the revenues were derived chiefly from a tax upon polls and estates, although indirect taxes were employed to some extent in order to reduce the weight of direct taxation.

The tax upon polls and estates developed out of occa-

¹ C. H. J. Douglas, *The Financial History of Massachusetts to the American Revolution*; A. McF. Davis, *Currency and Banking in the Province of Massachusetts Bay*; J. B. Felt, *Historical Account of Massachusetts Currency, and Statistics of Taxation in Massachusetts*; Osgood, *The American Colonies in the Seventeenth Century*, I, 468-495.

² The last part of Felt's *Statistics of Taxation* covers imperfectly the period from 1780 to 1840. Besides this there is an article in the *Bankers' Magazine*, Vol. I. See also R. H. Whitten, *Public Administration in Massachusetts*, 100-III.

sional levies which the government made upon the several towns between 1630 and 1634. At first the quota of each town seems to have been raised by the local authorities in such manner as they saw fit, but in 1634 the General Court ordered that thereafter, "in all rates and publique charges", every man should be taxed "according to his estate" and "not according to the number of his persons". In 1646 the tax was made an annual charge, and its assessment and collection were regulated in greater detail. Every male above sixteen years was to contribute twenty pence; laborers, artificers, and others were to pay an additional rate according to their earnings;³ and all property was to be charged one penny in the pound upon a valuation prescribed in the statute. Although subject to change in various details, this tax was bequeathed by the colony to the province, and by the province to the state, becoming embedded in the first constitution which empowered the legislature to levy "proportional and reasonable assessments, rates, and taxes" upon persons and property within the commonwealth.⁴

Indirect taxation began with the duty imposed upon the beaver trade from 1632 to 1635, and an impost upon imported fruit, sugar, spice, wine, spirits, and tobacco, established in 1636 and repealed piecemeal in 1637 and 1638. In 1641 a five-per-cent. duty was imposed upon the fur trade, and three years later the General Court established a license tax upon retailers of wine. In 1649

³ This was the so-called "faculty" tax which in 1738 became a tax on the income or profit of any trade, faculty, or business, and has survived in our present tax upon income from trades or professions in excess of \$2,000 per year. It has never been an important item in the assessment. *Cf.* Kinsman, *The Income Tax in the Commonwealths of the United States*, 3-4, 17-28; Seligman, *The Income Tax in American Colonies and States*, *Political Science Quarterly*, X.

⁴ The history of the apportionment of the tax is discussed by Whitten, *Public Administration in Massachusetts*, 100-106.

customs duties were laid upon certain goods imported from neighboring colonies or exported to them, and twenty years later a systematic impost act established a general tariff of a penny in the pound upon all imports with the exception of salt, wool, fish, and some other necessities. In the eighteenth century impost and excise legislation underwent many changes, but the general scale of duties remained low, and exemptions were made in favor of goods of English or British manufacture. At no time did the income from such sources enable the province to dispense with the tax upon polls and estates as the mainstay of the finances,⁵ although in 1672, 1693, 1750, and 1768 the usual levy was omitted.

After the initial difficulties in organizing a financial system in a sparsely settled plantation, the principal disturbing factor in the colonial and provincial finances was the recurring warfare, first with the Indians and then with the French and their Indian allies. The Pequot War increased the annual levy to three and even fourfold its former proportions; King Philip's uprising multiplied it by ten; and, finally, the outbreak of the first war with the French furnished the occasion for the first issue of paper money, in 1690. The first bills of credit ran for a comparatively short period, and were redeemed with fair punctuality. But in 1704 the General Court began to

⁵ From 1650 to 1654 the indirect taxes yielded £1,129, and the direct £6,570; for the year ending June 30, 1693, the import, tonnage, and excise duties yielded £4,207, while the province tax—omitted in 1693—was £30,000 in 1692 and £14,400 in 1694. Felt, *Statistics of Taxation*, 243, 290, and 309. In 1748 the impost, tonnage, and excise yielded £33,480 in depreciated paper, while the province tax was £381,672. Douglass, *Summary of the British Settlements*, I, 527. In 1786 the impost and excise yielded £50,237, probably an exceptional amount; while the state tax, omitted in 1787, was £311,000 in 1786 and £78,262 in 1788. Swan, *Observations on the Finances of Massachusetts*, 55; Felt, *Statistics of Taxation*, 474.

postpone redemption of the bills which steadily grew in volume until they depreciated. Thenceforth for an entire generation the province floundered in a financial and moral quagmire, piling up obligations which it displayed no intention of meeting,⁶ until bankruptcy impended. From this it was saved, however, by a large grant of specie from Parliament, in reimbursement of expenses incurred during King George's War. With this extraordinary resource,, resolute and intelligent leadership enabled the province in 1750 to redeem the outstanding paper and return to a specie basis upon which it prospered as never before.

Then followed twenty-five years of rational finance, embarrassed, but not overwhelmed, by the heavy obligations incurred during the French and Indian War.⁷ How far the wisdom and conservatism of these years were due to Parliamentary enactments prohibiting the issue of bills of credit,⁸ how far they may be attributed to the restraining influence of the royal governor, or how far they were the result of popular enlightenment after the sad experiences of the paper-money era, we need not now try to determine. It suffices to know that, thanks to a vigorous policy with respect to taxation, and with aid from reimbursements again granted by Parliament, the war debt

⁶ Mr. Douglas characterizes the policy of the province at this period as follows: "It consisted simply in a persistent refusal to raise by direct taxation one penny more than a sum calculated, not always accurately, to be just sufficient . . . to cancel maturing obligations, and in the abandonment of the constantly increasing current expenses of the government to be met by larger and larger issues of bills of credit."

⁷ The province financed the war by issues of interest-bearing notes, not a tender for debts and redeemable at stated periods. The transition from paper money to public loans is described by Hutchinson, *History of Massachusetts*, III, 10.

⁸ 24 George II. ch. 53 and 4 George III. ch. 34.

was discharged within ten years. At the opening of 1774 Massachusetts was out of debt, and the province tax could be reduced to £12,960 (\$43,200)⁹—an insignificant charge of less than fifteen cents per capita.¹⁰

The outbreak of the Revolution rudely disturbed the orderly housekeeping of the province. In May, 1775, with royal and Parliamentary restraint removed, the provincial congress emitted £130,000 of bills of credit; and further issues followed in quick succession. Both interest-bearing and non-interest-bearing notes were employed, the former being denominated "loans"; until ultimately something like £1,500,000 of obligations were outstanding, many of them, probably, circulating as money, and some expressly declared a legal tender in payment of all debts. Each "loan" or issue of bills of credit was nominally secured by a tax of equivalent amount, but the taxes were made payable at dates several years removed, and could contribute nothing to the immediate credit of the paper. The state would have been unable, in any case, to keep its finances in order during the deluge of continental bills of credit, which did not come to an end until 1780; but the policy of its legislature was not marked by wisdom during the opening years of the war. Like the other states, Massachusetts suspended the collection of taxes, and set the printing presses at work, relying upon the Congress at Philadelphia to find some ultimate solution of financial problems.¹¹ No state

⁹ Until 1795 accounts were kept in pounds, shillings, and pence. One Massachusetts pound was \$3.33, corresponding to the valuation of 6 shillings given to the Spanish dollar. Bullock, *Essays in Monetary History*, 17-23.

¹⁰ Adam Smith says that the expense of the "civil establishment" of Massachusetts at this period was about £18,000 per year. *Wealth of Nations*, II, 75 (Cannan's edition).

¹¹ On the policy of the states at this time see Davis, "Emergent Treasury Supply in Massachusetts in Early Days", in *Proc. Amer.*

tax was levied in 1776, and not until 1777 did the legislature awake to the real needs of the situation.

In that year, when the depreciation of the state and continental paper had reached alarming proportions, Massachusetts sought to return to the path of safety. Taxes for the nominal sum of £423,778¹² were levied, and it was announced that the future charges of the war would be met by taxation. At the same time the state began to call in the outstanding bills bearing no interest, and converted them into interest-bearing obligations of denominations of not less than £10. Thereafter state taxes were regularly levied, the nominal amounts increasing portentously with the progressive depreciation of the continental currency. In 1779 the figures rose to nearly £5,000,000, worth in reality not more than three per cent. of that sum; then in 1780 the first tax payable in specie called for £72,000.

From the chaos of the paper-money era Massachusetts emerged with disordered finances, a state debt of approximately £1,500,000 (\$5,000,000), and an ill-defined liability for her share of requisitions needed to meet the debts and pay the current expenses of the Confederation.¹³ It was under such auspices that the present government was established in 1780. Rehabilitation of the finances was, obviously, one of the urgent needs of the hour.

Antiq. Soc., 1905; Sumner, *Financier and Finances of the American Revolution*, I, 11-34, II, 64-80; Bullock, *Essays in the Monetary History of the United States*, 60-62.

¹² Worth, perhaps, one-third of its face value.

¹³ No exact adjustment of the quotas of the various states in the federal contributions was reached until the settlement of accounts in 1794.

CHAPTER II.

THE REVOLUTIONARY DEBT.

(1780-1794)

In the financial history of Massachusetts since 1780 six clearly defined periods can be recognized, of which the first came to an end in 1794.

The country had nominally returned to a specie basis by 1781, and liquidation of outstanding obligations contracted in paper money was the order of the day. Adopting a legal scale of depreciation,¹ Massachusetts first sought to reduce the state debt to manageable form. The consolidation of all liabilities into a single kind of interest-bearing notes, which had been begun in 1777, was continued by an act passed in 1783.² Meanwhile additional obligations had been incurred by issuing notes to soldiers of the Massachusetts line for the balance of wages due them.³ A considerable number of outstanding accounts were discharged by taxes levied between 1781 and 1785, but nothing was done to reduce the consolidated and army debts.⁴ In 1786 the former amounted

¹ Ch. 12 of 1780. Acts and Resolves of the Province of Massachusetts, V, 1412. The tables adopted in Massachusetts and the other states may be found conveniently in State Papers, Finance, V, 772, *et seq.*

² Ch. 67 of 1782. Subsequent acts and resolves authorized the continuation of this process.

³ Act of July 5, 1781.

⁴ See the review of financial transactions of the period 1781 to 1785 in the Address of the General Court to the People of Massachusetts.

to £1,381,675, and the latter to £250,114, the liabilities of the commonwealth aggregating £1,631,789.⁵ Taxes had been pledged to meet £240,000 of this sum, so that the net indebtedness was stated at £1,391,789, which would be slightly diminished by £65,000 received, or to be received, from sales of public land. The figures would be greatly increased, however, if account were taken of that portion of the continental debts for which Massachusetts was chargeable. This liability was placed at £1,565,831 in 1786, and practically doubled the indebtedness of the state.

But the treasurer's calculation of the net state debt, based upon taxes pledged for the payment of particular obligations, did not disclose the true situation of the finances. Commercial depression had succeeded the business activity that followed the restoration of peace, times were hard, and a spirit of discontent was abroad.⁶ Of the £1,407,895 of direct taxes levied between 1780 and the close of 1785, no less than £279,437 remained uncollected;⁷ and a strong demand had arisen for the issue of another batch of paper money.⁸ This proposition had been rejected in 1785, but the discontent continued until it culminated in Shays's Rebellion.⁹ The

⁵ Statement of the treasurer, prepared for the "Address of the General Court." See *Laws and Resolves*, 1786-7. These figures are followed by James Swan, in his *National Arithmetic: or Observations on the Finances of Massachusetts*, 53.

⁶ For an account of the conditions existing see Bradford's *History of Massachusetts*, II.

⁷ Address of the General Court, 1786.

⁸ In 1786 numerous commodities were made receivable for the specie taxes levied prior to 1784. Felt, *Statistics of Taxation*, 475-477.

⁹ Among the alleged grievances of the malcontents were "excessive" taxes, the poll tax, and the application of the income from import duties to the payment of continental charges. Bradford, *Hist. of Mass.*, II, 238.

conditions, manifestly, were not favorable for the prompt collection of heavy taxes.

As early as 1782 and 1784 the legislature had yielded to popular clamor so far as to suspend the collection of taxes pledged for the payment of installments of the debt.¹⁰ Under the operation of former laws, £423,250 of taxes were to be collected in 1785, £386,250 in 1786, and other large sums in 1787 and 1788—all for the purpose of retiring the consolidated and army notes.¹¹ But in 1785 the legislature took no action in the matter, and even neglected to levy the usual tax for current expenses. During the following year inaction continued until Governor James Bowdoin, in a vigorous message, called attention to the subject. He pointed out that the acts of earlier years authorized the treasurer, in case no special law was passed for the purpose, to issue warrants for the collection of the taxes pledged for payment of the debt. If this arrangement imposed excessive burdens during the period 1785 to 1788, he urged that a more gradual plan of amortization be adopted; and entreated his hearers, at all hazards, to make some adequate provision for sustaining the credit of the state. The response of the legislature was to instruct the treasurer to issue no warrants for the collection of the taxes of 1785 and 1786, and to resolve that the commonwealth could not meet the outstanding liabilities as rapidly as existing laws required it to do.¹² A tax was levied, however, for £311,000; of which £145,000 was to go to the federal treasury, £100,000 was to retire a portion of the army notes, and the balance was to provide for current expenditures.¹³ About the only satisfactory feature of the

¹⁰ Chs. 130 of 1782 and 25 of 1784.

¹¹ Message of Governor Bowdoin, June 2, 1786.

¹² Resolve of July 7, 1786.

¹³ At this time a lottery was authorized (Nov. 9, 1786), and a

situation was that the proposal to emit bills of credit had been rejected.

The year 1787 brought no improvement. The legislature levied no state tax, and even suspended the collection of taxes authorized in former years.¹⁴ Governor Hancock, who had replaced Governor Bowdoin, called attention to the condition of the finances, but took no such determined stand as his predecessor. Numerous loans were authorized for current expenditures, and the debt of the commonwealth must have increased. The following year Governor Hancock apologetically remarked, in his annual address: "I am sorry that my duty urges me to mention to you the necessity of a small tax, but the treasury is so far exhausted, that the business of the government must cease its progress unless a tax is granted."¹⁵ A month later a tax of £78,262 was levied, providing only for current outlays and making no provision for maturing obligations. In 1789 the tax was reduced to £37,445, and no thought seems to have been given to the principal of the debt. By common consent, apparently, the state was waiting to see how the establishment of the new federal government would affect the financial situation.¹⁶

Under such conditions the debt of the commonwealth must have tended to increase. The sale of certain public

scheme brought forward to authorize the payment of taxes in potash. Message of Governor Bowdoin, June 2.

¹⁴ Nov. 8, 1787.

¹⁵ Feb. 27, 1788.

¹⁶ In January, 1789, Governor Hancock remarked in his annual message: "Our present situation with regard to the commencement and operation of the general government, renders it very difficult to determine upon any particular and permanent system of finance for the commonwealth." He advised, therefore, provision for current expenditures only.

lands may have effected some reduction;¹⁷ but in 1790 the debt was as large as in 1786.¹⁸ At one time the consolidated notes were hawked about at one-sixth of their nominal value,¹⁹ and the credit of the state did not materially improve until the federal government came to its assistance and shouldered the greater part of its obligations. For this discreditable record the halting policy of the legislature was responsible.

In justification of the course which the state followed, it was said that the people were simply unable to bear the taxes which a policy of rapid amortization would have entailed. But this excuse, even if it were valid, would not explain the failure of the legislature to meet current expenditures without borrowing. As a matter of fact, the burdens which a rational plan of finance would have required were not beyond the strength of the commonwealth. James Swan showed clearly, in 1786,²⁰ that the annual expenditures of Massachusetts, including interest on the state debt, were £105,826; and that the amount needed to meet the requisitions of the federal government did not exceed £108,000; the total annual charges being £213,826 (\$712,753). This represented

¹⁷ These were lands in New York long claimed by Massachusetts. Message of Governor, Feb. 13, 1787. A large tract was sold for £300,000 in consolidated notes, payable in installments. Felt, *Statistics of Taxation*, 448. The purchasers had difficulty in making payment, and surrendered part of the lands, which were resold in 1791 to other parties. Ch. 89 of Resolves of 1789; Resolve of Feb. 16, 1791; and ch. 120 of Resolves of 1790. See also Turner, *History of the Settlement of the Phelps and Gorham Purchase*.

¹⁸ As reported to the national authorities, the state debt was £1,568,000 (\$5,227,000). *State Papers, Finance*, I, 29. Later in the year Governor Hancock placed it at \$5,276,954. Message of Sept. 15, 1790.

¹⁹ Bradford, *History of Massachusetts*, II, 37.

²⁰ *Observations on the Finances of Massachusetts*, ch. 6.

a per capita charge of approximately \$1.75;²¹ and an additional assessment of \$0.75 would have enabled Massachusetts to retire all outstanding obligations in fifteen years. To men who were clamoring for an emission of paper money, an annual per capita charge of \$2.50 may have seemed an outrageous imposition; but in point of fact, it would not have proved an excessive burden.²² The real trouble was that the people had not outgrown the bad traditions of the paper-money régime; from 1780 to 1790 the legislature was merely duplicating the unenviable record it had made during the first half of the eighteenth century.

The establishment of a new form of government had wrought no material change in the character of the state tax. Ever since 1694 periodical reapportionments had been made by the General Court, and the constitution of 1780 provided that a valuation of estates should be had as often as once in every ten years.²³ In 1782, 1786, and 1792 new apportionments were made, by which the quota of each town in a tax of £1,000 was determined.²⁴ In the valuation of 1782 each poll was rated at one penny in each tax of £1,000, with the result that about one-third of the apportionment rested upon polls and two-thirds upon property.²⁵ In 1792 the rating of polls was reduced to one half-penny in every £1,000, so that polls

²¹ The population of the state in 1790 was 475,327, and in 1786 it must have exceeded 400,000.

²² The per capita charge of \$2.50 need not have been raised wholly by a direct tax. In 1786 indirect taxes yielded £50,600 (\$168,600).

²³ Ch. I, art. 4, sec. 1.

²⁴ Resolves 123 of 1780 and 192 of 1792; chs. 510 of acts of 1781 and 104 of 1786.

²⁵ Thus in 1781 there were 77,388 taxable polls. Felt, *Statistics of Population*, 165. At one penny each, these 77,388 polls would be rated for £322 in every £1,000.

then represented about two-ninths of the apportionment and property seven-ninths.²⁶

Of every £1,000 Boston paid £56 in the apportionment of 1782, and £91 in that of 1792.²⁷ The valuation committees appointed to carry through this delicate work encountered the usual complaints from towns dissatisfied with their quotas, and discovered the usual inequalities in the assessments of property made by the local assessors.²⁸

²⁶ The apportionment of 1792 is described in Wolcott's celebrated report on direct taxes. State Papers, Finance, I, 420 *et seq.* The 106,167 polls, at one half-penny each, would represent £221 + in each £1,000.

²⁷ With Roxbury, Dorchester, and Charlestown included, the quotas of the district now comprised in the limits of the city of Boston were £75 in 1782 and £111 in 1792.

²⁸ It may be of interest, in illustration of these difficulties, as well as an indication of the method by which the committees proceeded, to reproduce entire the report of the valuation committee of 1792 (Ch. 196 of Resolves of 1792): "The Committee on the subject of the Valuation ask leave to report—that they met on the fifth day of December, being as soon after the appointment as circumstances of convenience would admit, and proceeded to an examination of the law, intitled—'An Act for inquiring into the rateable estates within this Commonwealth'—and also of the returns from the several towns, districts, and plantations, in the Commonwealth, made pursuant to said Act, and formed an estimate of the several descriptions of real and personal estate enumerated in the act aforesaid, and contained in the returns aforesaid. That in forming this estimate your Committee were regulated by the income of the property, as deducible from the different kinds and quantity of produce apparent from said returns—making such allowances for circumstances of locality & other appendages, as to them appeared reasonable, & having completed this, your Committee found that from the errors & deficiencies in the returns from many towns, the relative proportions of such towns to those which had made legal and proper returns, would be marked with striking features of injustice;—to remedy which, your Committee proceeded to add such articles, and amount of property not included in the returns, as by their best judgment deliberately used, it appeared the inhabitants of the different places must be possessed of, to give that support to themselves, and subsistence for their Cattle actually kept, which it was evident they derived from

But the entire annual levy was not apportioned upon the basis fixed by the valuation committees. From time out of mind the wages of the House of Representatives had been paid by the towns;²⁹ and in 1727, when the General Court ordered that the representatives should thereafter be paid out of the province treasury, the practice originated³⁰ of charging each town for the expense thus incurred. Accordingly from 1727 down to 1780 the annual taxes regularly consisted of two parts,³¹ the larger, for general province expenses, apportioned upon the basis determined by the periodical valuations, and the smaller, for the representatives' pay, charged directly to

sources within their own limits accompanied in many instances with direct proof of the facts, and aided by former returns of like property, repeatedly made by themselves, making due allowance for the division of towns, and alterations of boundaries; after which they again carefully revised the estimates, & in many instances varied the same, so as to conform the whole to the desirable principal of equality—In exercising this Judgment your Committee have felt the force of the censure naturally incident to a business of this kind—of the opposition & influence of those who would be affected by the variations from their returns; and of the careful scrutiny which their doings will be subjected to, by those who will arraign their conduct to the standard of propriety, which circumstances have operated as a strong restrictive to your Committee, to proceed with great caution and deliberation, and must be considered as an apology for the length of time employed in executing the duty of their commission. The result of which they now submit to the candour of an enlightened Legislature as proceeding from an assiduous application to duty from the time of their first meeting, and an earnest desire to do Justice to every part of the Community in the apportionment of public taxes, and as the basis thereof, that the several towns Districts and Plantations be charged the several sums set against them respectively, as their proportion to one thousand pounds in future taxes."

²⁹ Thus in 1638 the General Court ordered that each town should pay the wages of its deputies.

³⁰ Felt, *Statistics of Taxation*, 312.

³¹ Tables showing all these taxes can be found in Felt, *Statistics of Taxation*, 341-342, 410.

the several towns. The first constitution provided that representatives should be apportioned upon a township basis, and that their travelling expenses should be paid out of the general treasury; leaving it to be inferred that their wages should not be a charge upon the state. Naturally enough, therefore, the legislature resolved in 1780 that the representatives' pay should be charged to the towns, "agreeably to the constitution";³² and this practice continued for the next forty-five years. In 1794, an average year, the regular state tax was £40,047, and the so-called representatives' tax £5,020; in 1793, however, the figures stood, respectively, at £20,008 and £13,268.

We have seen that in 1782, in apportioning the state tax among the towns, polls constituted about one-third of the valuation; the same proportion was observed by the legislature in regulating the amount of the poll tax collected for state purposes each year.³³ Thus when £200,000 was called for on a general tax in 1781, each poll was to pay 16 s. 8 d., which would yield nearly one third of the entire levy.³⁴ When £300,000³⁵ was required in 1786, the poll tax was increased proportionately to 25 s.; when the levy fell to £65,000 in 1788, polls were assessed but 5 s. 5 d. each; and with the levies reduced to £25,360 in 1790 and 1791, the assessment dropped to 1 s. 9 d.

In 1792, when the rating of polls in the valuation of that year was reduced to two-ninths of every tax of £1,000, no tax was levied for state purposes. In 1793, however, when a tax of £20,000 was called for, the assessment upon each poll was reduced to 10 d. in order to make

³² Resolve of Nov. 13, 1780.

³³ Cf. Swan, *Observations*, 52.

³⁴ There were 77,388 polls in 1781. Felt, *Statistics of Population*, 165.

³⁵ This is exclusive of the representatives' tax.

it conform to the proportions followed in apportioning the levy among the towns.³⁶ In 1794 the tax was £40,047, and each poll was assessed 1 s. 8 d., approximately the same proportion as in the previous year.

This was the end, for a time, of a varying annual assessment upon polls. The state tax had become virtually fixed at the sum of \$133,400,³⁷ from which it varied less than \$100 during the next twenty-five years;³⁸ and the annual poll tax, possibly without deliberate intent, also assumed a stereotyped form. In 1795 it was placed at 28 cents, approximately the same as 1 s. 8 d., and it remained at this figure until 1802.³⁹ Since the number of polls was steadily increasing, the establishment of a fixed rate for the poll tax meant that the proportion of the stationary state tax falling upon polls would gradually increase. All of these details were then regulated by the annual tax laws, and it was easy for the legislature to fall into fixed modes of procedure without realizing whither its action tended.

The figures just given relate solely to the amount levied upon polls for state purposes; additional assessments were made for town and county expenses, as well as for the representatives' tax. The annual tax acts provided apparently that local assessments should be governed by the rules laid down for the state tax, *i. e.*, that the same proportions should be observed in levying upon polls and property.⁴⁰ As a result, the total assessments

³⁶ There were 93,718 taxable polls in 1794. Felt, *Statistics of Taxation*, 487. At 10 d. each, polls paid £3,900, somewhat less than two-ninths.

³⁷ The £40,000 levied in 1794 was equal to \$133,333.

³⁸ The representatives' tax is excluded from these figures.

³⁹ For data upon all these points, see Felt, *Statistics of Taxation*, 543.

⁴⁰ The earlier acts were very indefinite upon this point. See ch. 43 of 1780. In 1785 it was enacted that in assessing county, town,

upon polls were far larger than the amount collected for state purposes, but it is not easy to find much information upon the subject at this period.⁴¹ When the state tax upon polls was 28 cents, the aggregate poll tax in many towns may have risen to \$1.00 or \$1.50; with the state assessment at 25 shillings, as in 1786, the state poll tax alone amounted to \$4.16. At that exceptional period, therefore, there was no little justification for the complaint of the "Shaysites" that poll taxes were exceedingly high.

Naturally enough the unpopularity of heavy taxes upon polls and estates had led to the development of auxiliary revenues. A duty was first laid upon auction sales, and then an impost or excise was levied upon retailers of liquors, on the sale of tea, on coaches, chariots, and chaises.⁴² In the next year the impost or excise act was replaced by a new law which imposed duties upon liquors, tobacco, snuff, tea, sugar, iron, glass, carriages, and some other objects; while early in 1783 a supplementary act laid a duty of two and one-half per cent upon all European and Indian goods not already taxed.⁴³ These early enactments, which combined customs with excise duties, were considerably raised and extended by subsequent laws;⁴⁴ until in 1785 the state had a fairly comprehensive

and parish taxes the assessors should assess polls and property according to the proportions established in the last annual tax act. Ch. 50 of 1785.

⁴¹ Wolcott's report on direct taxes states that in 1796 town and county taxes "very considerably" exceeded the annual state levy. State Papers, Finance, I, 420. Statistics of town taxes are not available. The county taxes authorized by the legislature in June, 1794, or January, 1795, apparently for the same year, 1794, amounted to £12,824, one-third of the state tax for 1794. Town expenditures and taxes were, of course, far larger.

⁴² Chs. 125 of 1780 and 17 and 33 of 1781.

⁴³ Chs. 33 and 64 of 1782.

⁴⁴ Chs. 12 of 1783, 13 of 1784, and 17 of 1785.

system of duties on imports, protective in some of its provisions,⁴⁵ and not a few excise taxes on articles of domestic production. In that year, moreover, a number of duties upon legal documents were established,⁴⁶ and the framework of a system of indirect taxes upon commodities and transactions was well-nigh complete. Finally, in 1786, the legislature separated the customs from the excise, and introduced improved methods of administering these taxes.⁴⁷

The duties upon auction sales were comparatively unproductive, yielding but £1,173 in 1785; and the same is true of the tax upon legal documents. The customs and excise duties, however, brought in £57,353 in the same year; and constituted an important addition to the resources of the state.⁴⁸ There was not wanting, indeed, at this juncture a considerable body of opinion favorable to the further extension of these duties. In 1786 James Swan attacked the whole system of poll and property taxes as unequal and burdensome, and urged that the state should develop indirect taxes into a general excise upon consumption, which should replace direct taxation.⁴⁹ Governor Hancock, also, advised the legislature to reduce the amount of the state tax by levying "taxes on those superfluities" which it can never be to the advantage of the community to consume.⁵⁰ But the time for such a policy was already at an end.

⁴⁵ On the protective features of these taxes see W. Hill, *First Stages of the Tariff Policy of the United States*, 49-52.

⁴⁶ Ch. 18 of 1795.

⁴⁷ Chs. 48 and 49 of 1786. *Cf.* also ch. 63 of 1787.

⁴⁸ These figures are from Felt's *Taxation in Massachusetts*, 438.

⁴⁹ *National Arithmetic*.

⁵⁰ Message of October, 1787. It is interesting to note that similar advice emanated from the executive chamber as late as 1818 and 1819. See messages of Governor Brooks, June, 1818, and January, 1819.

The adoption of the federal constitution made it impossible for a state to tax imports; and, accordingly, the tariff of 1786 was promptly repealed.⁵¹ Other duties might have been continued on a considerable scale, and in 1790 Massachusetts actually revised its excise law,⁵² retaining taxes upon liquors, tea, coffee, sugar, coaches, and innkeepers' licenses. But in the same year Congress adopted Hamilton's plan for the assumption of the state debts by the national government, and the legislature of Massachusetts immediately repealed the new excise law,⁵³ which was believed to be no longer necessary. Before long the improved condition of the state's finances made it possible to dispense with the other duties established between 1781 and 1785; while the fact that the national government was now levying similar taxes made such a course appear highly desirable.⁵⁴ By 1795, therefore, the last of the indirect taxes had disappeared,⁵⁵ and the state tax upon polls and estates remained in undisputed possession of the field. Indirect taxes upon commodities and transactions had been introduced in time of great stress, when national taxation was unknown; they were abandoned when financial pressure was relieved and a national government began to utilize these sources of revenue.

How great a revolution assumption of the state debts wrought in the finances of Massachusetts will be better appreciated if we compare the budget for 1786 with that for 1794. The figures, omitting the federal requisition for 1786, are as follows:⁵⁶

⁵¹ Ch. 18 of 1789.

⁵² Ch. 48 of 1789.

⁵³ Chs. 14 and 15 of 1790.

⁵⁴ This consideration was urged strongly by Treasurer Davis in his Report for 1794.

⁵⁵ Chs. 23 of 1794, 8 and 80 of 1795.

⁵⁶ In both cases the data are taken from statements prepared by the treasurer in those years.

EXPENDITURES (in thousands of dollars.)		
	1786.	1794.
Salaries	57.3	54.1
Miscellaneous	16.4	46.2
Interest	278.7	114.9
	<hr/>	<hr/>
	352.4	215.2

It will be seen that, in spite of an increase of miscellaneous expenditures,⁵⁷ the reduction of the interest charge between 1786 and 1794 reduced the total outlay by \$137,200. In 1786 the state debt had been something more than five millions, and thereafter it seems to have increased to slightly more than six millions;⁵⁸ so that in January, 1792, after the federal government had assumed \$4,000,000 of the state's obligations, the treasurer reported that the remaining debts of the commonwealth aggregated £620,606 (\$2,068,686). But further relief was to come.

The law providing for assumption of state debts stipulated that there should be a thorough accounting between the federal government and the several states; and when this was completed in 1794, it appeared that Massachusetts had a balance of \$1,248,000 to its credit.⁵⁹ For this sum the state was given United States stocks from which it received thereafter a revenue sufficient to defray a considerable portion of the interest on its debt. Nor was this all. In 1793 the state subscribed for \$400,000

⁵⁷ This was due to the fact that in 1789 the state assumed the burden of supporting state paupers. Ch. 32 of 1789. In 1794 this item cost \$15,735.

⁵⁸ The finances of the state were in a highly unsatisfactory condition until 1792. In 1790 a lottery was authorized (March 2). The following year, taxes were sadly in arrears, and the annual tax was reduced to £29,476. State securities still sold at a large discount. See Felt, *Statistics of Taxation*, 452.

⁵⁹ State Papers, Miscellaneous, I, 69.

of stock in the newly chartered Union Bank,⁶⁰ and from this investment a handsome return was derived.⁶¹ Finally, a third resource was at hand in the unoccupied "eastern lands", located in what is now the state of Maine. As early as 1786, £65,000 in cash and notes had been received from these lands,⁶² and James Swan had urged that the money should be used for reducing the public debt. But expectations of large immediate returns were disappointed, and in 1790 and 1791 the Maine lands were hardly paying the cost of locating and selling them.⁶³ Shortly afterward conditions gradually improved.

In 1793 the legislature began to take thought concerning the finances of the commonwealth, and resolved that at the very next session provision should be made for the remaining debt.⁶⁴ Early the following year a comprehensive funding act, modelled clearly after the federal law of August 4, 1790, was placed on the statute books.⁶⁵ A new loan bearing five per cent. interest was authorized, for which outstanding obligations were to be received. For the punctual payment of interest, the state's dividends upon Union Bank stock, the interest upon United States stocks owned by the commonwealth, and such other revenue as might be needed was pledged; while the proceeds of the public-land sales were set aside as a sinking fund for the gradual reduction of the principal of the new loan. A commission was established to

⁶⁰ Chs. 6 and 51 of 1792. Payment was made in part with money received from public lands. Ch. 29 of 1793 appropriated £30,000 for such a purpose.

⁶¹ In 1794 the treasurer stated the dividends at \$15,000. By 1796 they had risen to \$34,300. *State Papers, Finance, I*, 422.

⁶² *Laws and Resolves, 1786-7*, p. 143.

⁶³ *Message of Governor, May 31, 1790; Felt, Statistics of Taxation*, 453.

⁶⁴ *Resolve of June 22, 1793.*

⁶⁵ Ch. 29 of 1793.

conduct the operations of the sinking fund, and it was stipulated that the interest accruing upon the debt purchased for the fund should be applied in making further purchases.⁶⁶ By March, 1795, the commission had bought \$147,011 of the state's securities, for which \$111,892 had been paid⁶⁷—a figure which indicates that during the year the new five-per-cent loan was selling at an average price of seventy-six cents upon the dollar. By 1796 it was reported that some \$300,000 of the debt had been redeemed.⁶⁸

Thanks to the interposition of the federal government, the financial problems of Massachusetts had been solved with unexpected ease. In 1794, for the first time in a score of years, the governor's annual message could report that the fiscal affairs of the state were in a prosperous condition. Whatever the mistakes of the past, the financial outlook at the close of our first period was decidedly promising.

⁶⁶ Various acts extended to March 2, 1799, the time for exchanging the old debt for the new scrip.

⁶⁷ Ch. 31 of 1795.

⁶⁸ State Papers, Finance, I, 422.

CHAPTER III.

FINANCIAL PROSPERITY.

(1795-1825)

The second epoch in the financial policy of the commonwealth extends from 1795 to 1825,—a time of small expenditures and free from serious perplexity. The general conditions affecting the finances can be appreciated best by comparing the expenditures for 1794 with those for 1820, the year that Maine was set off from Massachusetts, as well as those for 1825. The figures are as follows:

EXPENDITURES¹ (in thousands of dollars).

	1794	1820	1825
Salaries	54.1	81.5	93.6
Charitable	16.4	79.4	51.4
Military	7.0	5.5	3.1
Penal	11.3	37.8	17.6
Constitutional Convention	—	59.8	—
Miscellaneous	11.5	5.4	31.8
Interest	114.9	29.5	1.0
Total	215.2	298.9	198.5

¹ The expenditures here stated exclude the repayment of loans or installments of the funded debt. Some errors of classification, which it is not possible or necessary to rectify, might be found by breaking up the item of miscellaneous expenditures.

It will be seen that, excluding the extraordinary outlay for the constitutional convention of the latter year, the expenditures increased but \$23,900 between 1794 and 1820. During this period population was growing at a fairly rapid rate,² so that the total per capita expenditure, which approximated forty-two cents in the former year, fell to thirty-six cents in the latter. After Maine was set off as a separate state, the expenditures of Massachusetts naturally diminished, and in 1825 the aggregate outlay was but \$198,500 or thirty-five cents per capita,—probably the lowest figure it has ever reached.

Looking at the various branches of expenditure it will be seen that salaries had somewhat less than doubled between 1794 and 1825, that charitable expenses had materially increased,³ and that the interest charge had decreased up to 1820 and then virtually disappeared. As yet, evidently, the state had not begun to undertake those extensive economic and social functions which in later times were to increase the aggregate and per capita outlay.

In 1796, at the opening of this period of financial prosperity, the total expenditure was \$237,348, of which \$117,500 was required for interest on the debt. Against this the state had an income of \$34,300 from its bank stock and \$57,518 from interest on the federal securities it owned,⁴ leaving but \$145,530 to be raised by the tax upon polls and estates.⁵ As time went on the debt was gradually reduced by the operation of the sinking fund. From 1785 to 1820 the eastern lands brought in \$896,281,

² The population was 475,327 in 1790 and 821,622 in 1820. After the separation from Maine, the population was 523,287.

³ This was due to the fact that the cost of supporting state paupers, which was assumed in 1789 (ch. 32 of 1789) had advanced very rapidly. In 1794 it was \$15,735; in 1811 it was \$52,129; and in 1819, \$72,156. After 1820 it declined for a time.

⁴ State Papers, Finance, I, 420, 443.

⁵ From 1795 to 1800 the state tax ranged from \$143,749 to \$154,873.

which,⁶ with interest upon securities purchased by the commission, must have gone far towards extinguishing the obligations inherited from Revolutionary days. The state's holdings of bank stock were increased by the acquisition of \$600,000 of stock in the Boston Bank; so that in 1812 not less than \$1,000,000 out of a total banking capital of \$8,000,000 in Massachusetts was owned by the commonwealth.⁷ The holdings of United States stocks, on the other hand, gradually declined under the operation of the federal sinking fund.⁸

Massachusetts, no longer a tardy debtor, was turning capitalist. In 1797 and 1798 it was estimated that the securities owned by the state and the debts due her exceeded all outstanding obligations; and by 1801 Governor Strong could report that the debt was on the way to extinction without levying taxes for that purpose. In 1812 only \$550,000 of the old scrip was outstanding, an amount which was largely exceeded by the productive funds in the treasury.⁹ During the Second War with Great Britain it became necessary to increase the state's ordinary outlay and to borrow \$846,000 from various banks in order to strengthen the coast defences.¹⁰ Accordingly the debt increased again, and upon January 1, 1816, stood at \$1,662,900.¹¹ But the new loans were

⁶ Mass. Sen. Doc. 6 of 1843, p. 9.

⁷ John Jay Knox, *History of Banking in the United States*, 361.

⁸ From 1799 to 1809 the United States stocks held by the state declined from \$1,527,000 to \$693,552. In 1819 they amounted to \$405,000.

⁹ Message of Governor, Jan. 1812.

¹⁰ Ch. 76 of 1814; Governor's message, Jan. 1815. For a part of this outlay the state was subsequently reimbursed by the national government. In 1831, \$419,000 was received upon this account; and in 1859, \$236,000.

¹¹ The treasurer's statement shows \$549,400 of old funded debt, \$956,000 of temporary loans, and \$157,500 of miscellaneous obligations.

soon repaid by selling the commonwealth's bank stock,¹² and in 1821 the old funded debt was practically extinguished.¹³ For the next few years Massachusetts was virtually free from debt, and the proceeds of the land sales, no longer needed for a sinking fund, were turned into the ordinary revenues.

Under such conditions the state tax remained light; in fact the annual levy for general purposes was practically constant from 1795 to 1820, ranging from \$133,300 to \$133,470.¹⁴ The representatives' tax, however, varied materially from year to year according to the number of members sent by the towns and the length of the sessions. It was lowest in 1797 when it amounted to \$10,386, and highest in 1815 when it rose to \$52,640, the average levy being about \$25,000. Even during the War of 1812 the state tax proper remained unchanged, and the only increase in the total levies was in the assessment for wages of the representatives. And yet with taxation light and the debt in process of extinction,¹⁵ the legislature in 1812 instituted a special tax upon banks.

Mr. Felt gives us to understand¹⁶ that this was done in order "to keep the taxes from an alarming increase", but his explanation cannot be accepted as satisfactory. The adoption of some special tax upon banks had been in the mind of the legislature for at least ten years. The grant of a bank charter, carrying the right to issue circulating

¹² Felt, *Statistics of Taxation*, 497-498; *Bankers' Magazine*, I, 387.

¹³ Governor's Message, June 1820; statement of treasurer, Jan. 1822. To accomplish this the remainder of the U. S. stock was sold. See *Boston Weekly Messenger*, May 31, 1821. On Jan. 1, 1822, Massachusetts owed but \$67,521, and held resources of double this amount.

¹⁴ Full data may be found in Felt, *Statistics of Taxation*, 543.

¹⁵ On Jan. 1, 1812, all the liabilities of the state aggregated \$807,294; while the treasury held \$793,000 of cash and securities beside \$1,000,000 of bank stock.

¹⁶ Felt, *Statistics of Taxation*, 494.

notes, had always been considered a valuable privilege; and it seemed only reasonable that the state should share in the profits resulting therefrom. In 1793 the charter of the Union Bank, the second to be incorporated in Massachusetts, had reserved to the commonwealth the right to subscribe for a portion of the stock; and a similar reservation was made in charters subsequently granted, although the state had exercised its right in only two cases.¹⁷ In 1802 and 1805, when a number of new banks were incorporated, a clause was inserted in each charter expressly stipulating that the state reserved the right to tax the banks at any time it might choose to do so. Finally, in 1811, when two other banks were chartered, it was provided¹⁸ that from and after October 1, 1812, their capital stock should be taxed one-half of one per cent. semi-annually, *provided* that, by that date, a similar tax should be imposed upon the other banks in the commonwealth. With few exceptions the charters of the existing banks expired at the date just mentioned, and the legislature in 1812 confronted the general problem of the future regulation of banking. When it was finally decided, in June, to grant a large number of new charters, it was naturally and promptly¹⁹ determined to impose the tax contemplated in the charters granted in 1811. Nothing in the existing condition of the state's finances made such a step imperative; and, although war with England had been declared on June 18, 1812, news of this event had probably not yet reached Boston.²⁰ It is possible that

¹⁷ Cf. Knox, *History of Banking*, 359-361.

¹⁸ Acts of June 26 and June 27, 1811.

¹⁹ The Senate appointed a committee on June 17 to consider the subject, and the House took similar action on June 22. The tax act was introduced on June 22 and immediately passed the House; on the following day it passed the Senate. This was the very time that the bank charters were in course of enactment.

²⁰ The Senate took its first action upon the tax on June 17; and

apprehension of war, which might, of course, increase the state's expenditures, may have influenced the final vote; but it is plain that the legislature was merely carrying out a policy clearly foreshadowed in 1802 and virtually adopted in 1811. The introduction of the first corporation tax is not to be explained primarily on the ground of financial necessity.

The act of 1812²¹ established a semi-annual tax of one-half of one per cent. upon the capital stock of all banking institutions in the commonwealth. Early in the following year it evoked a protest from a number of banks²² which claimed that the tax was excessive in amount, that it disturbed commerce, already injured by the war, and that it involved double taxation because the shares were already taxable in the hands of the owners. The protestants suggested further that various colleges and charitable institutions had invested their funds in bank shares, and were seriously injured by the heavy tax, which amounted to one-fourth or one-fifth of the dividends. But the new law was yielding a large revenue, and, in the disturbed condition of public affairs, was too valuable a resource to be relinquished. Yet, in order to meet the objection that injury had been done to institutions of learning, a part of the income of the tax was, for a term of ten years, paid to various colleges.²³

The constitutionality of the law was then attacked, but the supreme court of the state decided that the tax was a duty or excise, and therefore valid although it did not fall equally upon all persons and estates.²⁴ In 1816 the House passed the bill on June 22. The Boston newspapers did not contain reports of the declaration of war until June 24; the tax bill had become a law on the previous day.

²¹ Ch. 32 of 1812.

²² Mass. Archives, Sen. Doc., 4776, 10.

²³ Chs. 150 and 168 of 1814.

²⁴ *Portland Bank v. Apthorp*, 12 Mass. 252.

another attempt was made to reduce or abolish it, but nothing was accomplished in that direction. In spite of more or less frequent criticism,²⁵ the tax held its place among the revenues of the state until the establishment of a national banking system.²⁶

As early as 1814 its yield was \$107,569, about two-thirds as much as the state and representatives' tax on polls and estates; and this proportion was maintained approximately for the next six or seven years.²⁷ In 1821, after the separation of Maine from Massachusetts, the state and representatives' tax, with no material change in the quotas of the remaining counties, was reduced automatically to \$121,095; and the next year the assessments were cut down to \$93,692. Accordingly, for 1823 the treasurer's report shows receipts of \$103,900 from the state tax and \$102,900 from the tax upon banks;²⁸ while

²⁵ Besides the criticism just mentioned, it was argued later on that the tax should be on income or upon notes, rather than upon capital. See message of Governor Everett, Jan. 1836, House Doc. 6 of 1836, p. 18; N. Appleton, *Currency and Banking*, 45 *et seq.* In defence of the tax it was generally urged that the banks should pay something for the privilege of issuing notes. See House Doc. 10 of 1854, pp. 37-39. In 1855 a committee of the House recommended a tax upon circulation. House Doc. 293 of 1855, pp. 5-6.

²⁶ The immediate effect of the tax was a marked reduction in the dividends paid by Massachusetts banks. In 1812 dividends had averaged 7.06 per cent.; the next year they declined to 5.62 per cent. Of course the disturbance of commerce contributed to the result for 1813. From 1808-1812 the dividends averaged 7.45 per cent.; from 1813-1839 they averaged 5.93 per cent. Hunt's *Merchant's Magazine*, II. 142-3.

²⁷ Statistics of the yield of the tax may be found in Felt, *Taxation in Massachusetts*, 579-580; and in House Doc. 1 of 1843. These two statements do not agree precisely, possibly because the former gives the gross receipts from the tax, while the latter gives merely the yield to the treasury after deducting the proportion paid for a time to various colleges.

²⁸ These figures differ slightly both from those of Felt and those of House Doc. 1 of 1843. They are taken from the report of the treasurer.

the multiplication of banking institutions promised a rapid increase of the revenue from the latter source.

Since 1795 the apportionment of the state tax had changed materially. In 1802 polls were rated at two mills each,²⁹ with the result that the 126,010 polls represented \$252 in every tax of \$1,000, as against \$222 in 1792.³⁰ In 1812 the same rating was continued, so that the 167,700 polls of that year counted for \$335.40 in each \$1,000. Within twelve months, however, the legislature changed the apportionment,³¹ and reduced the rating of each poll to one mill. Upon this basis the 167,000 polls represented but \$167 in each tax of \$1,000, or practically one-sixth. In 1821, after Maine had been set off as a separate state, the number of polls in Massachusetts was reduced to 122,200, and it was deemed expedient to increase the rating of each poll to one and one-half mills. Accordingly in that apportionment polls counted for \$183.32 in every \$1,000, a trifle more than one-sixth.

Still more interesting were the changes which the separation of Maine from Massachusetts and the growth of wealth and numbers wrought in the proportion of the state tax falling upon the city of Boston. From 1782 to 1821 the figures were as follows:

PER CENT. OF STATE TAX FALLING UPON BOSTON.

1782.....	5.65
1793.....	9.18
1801.....	12.52
1811.....	13.70
1821.....	33.16

²⁹ At one half-penny in each £1,000, the rating of 1792, each poll counted for 1-480,000 of each apportionment. The new rate of two mills in each \$1,000 made the fraction 1-500,000.

³⁰ Resolves of 1802. See data given by Felt, *Statistics of Taxation*, 544-552.

³¹ Resolves of June 10, 1813, and Feb. 14, 1814.

Up to 1811 the quota of Boston³² steadily increased, but the abrupt rise of the percentage in 1821 is without parallel in the history of the state. Since this was due in large measure to the separation of Maine from Massachusetts, by which change the total state tax was considerably reduced, it did not affect materially the city's finances. The following statistics for the years 1820, 1821, and 1822 show the actual results of the increase of Boston's quota of the state tax:

<i>Year.</i>	<i>State tax.</i>	<i>Boston's quota.</i>	<i>Total tax levy of Boston.</i>	<i>Rate of taxation in Boston.</i>
1820....	\$133,382	\$20,900	\$165,200	\$8.00
1821....	104,515	20,900	166,600	7.90
1822....	75,000	24,800	172,400	7.30

The reduction in the state tax for 1821 was due simply to the loss of the counties set off as the state of Maine, and made no change in the charges on the remaining counties; the reduction in 1822 was made possible by the extinction of the public debt. The change in the basis of apportionment made Boston's share of a \$75,000³³ tax in 1822 larger by some \$3,900 than her share of the taxes of 1820 and 1821. Yet the total taxes levied in the city increased less than four per cent., and the tax rate actually declined.

During this entire period the annual assessment upon polls tended to decrease. We have seen that from 1795

³² With Roxbury, Dorchester, and Charlestown included, the percentages are:

1782.....	7.5
1793.....	11.1
1801.....	14.6
1811.....	15.9
1821.....	35.8

³³ This is the tax for general purposes; the representatives' tax is excluded, since it was not affected by the reapportionment.

to 1801 the poll tax for state purposes was fixed at 28 cents. In 1802 it was reduced to 27 cents.³⁴ Then in 1810, in view, probably, of the fact that the growth of population and of taxable males was increasing the proportion of the taxes falling upon polls, the annual tax act provided that the total assessments upon polls for state, county, and local purposes should not exceed one-third of the aggregate sums to be raised. The tax act for 1814 abruptly reduced the poll tax for state purposes to 14 cents, and stipulated that thereafter not more than one-sixth of all assessments should fall upon polls. In 1822 when the annual levy for general state purposes was reduced to \$75,000, the state poll tax was reduced to 11 cents, in order to conform to the rule followed since 1814. Thus by successive stages the proportion of state and local taxes assessed upon polls had declined from one-third to one-sixth of the annual levy.

The state and representatives' taxes for 1822 (\$93,695) represented a per capita charge of but seventeen cents, an almost nominal burden; yet there developed in the legislature of that year a determined effort to readjust the revenue system of the state. Under the lead, apparently, of members from the central and western counties, it was proposed to establish a tax on insurance companies, upon public auctioneers, and even upon manufacturing corporations.³⁵ These projects were not accepted, but the agitation did not immediately subside. It led, the next year, to an enactment levying a duty upon all real and personal property sold at public auction or vendue.³⁶ While it

³⁴ Felt, *Statistics of Taxation*, 543; Report of Commissioners of 1875, pp. 16-17. These matters were regulated in the annual tax acts.

³⁵ See *Boston Weekly Messenger*, Feb. 14 and March 28, 1822.

³⁶ Ch. 87 of 1823. The duty upon personal property was one per cent., and upon real property one-half of one per cent. of the selling price.

extended, of course, to the sale of stocks and other securities, the duty fell with special weight upon imported merchandise, which, according to the custom of the time, was sold largely at public auction. It followed, naturally, that the greater part of the revenue was collected in Boston, so that to this extent the interior counties accomplished the object for which they had been striving. Whether it was then hoped to abolish the state tax altogether, the data now at hand do not enable us to determine.

In 1824 the auction duty brought in \$27,815; and in 1825, \$24,902. This was clearly insufficient to replace the state tax; but, at the same time, the yield of the bank tax advanced until it stood at \$144,643 for the year last mentioned. The bank and auction taxes were now yielding \$169,600, and promised a substantial yearly increase; while persistent economy had reduced the ordinary expenditures to \$198,600.³⁷ The proceeds of public land sales and some miscellaneous items furnished from \$12,000 to \$15,000 of additional revenue; the commonwealth was out of debt; and accordingly in 1825 the legislature called for no state tax. Our second period, therefore, closes auspiciously, having witnessed the extinction of the debt and the disappearance, for the time, at least, of the state tax upon polls and estates.

³⁷ From the ordinary expenditures I exclude \$40,000 of loans repaid. By the payment of these obligations the state was left without a dollar of debt, save some \$15,000 of outstanding accounts; while there was over \$86,000 of cash in the treasury besides \$48,000 of notes or bonds for lands sold upon credit.

CHAPTER IV.

THE EFFORT TO ABOLISH THE STATE TAX. (1826-1860)

Under the new financial policy the third period, which extended from 1826 to 1860, opened with a slight deficit for the initial year, which would have been materially larger but for \$29,700 of belated payments on state taxes of former years.¹ This was followed by further deficits, aggregating \$131,000, in 1827 and 1828; and still the legislature refused to levy a state tax, contenting itself with an act authorizing the treasurer to borrow \$150,000. The deficits had been foreseen by the treasurer, and Governor Lincoln, who from the outset doubted whether the bank and auction taxes would suffice for the needs of the state,² had strongly recommended a state tax.³ He pointed out, also, that the state was now using for current expenses the proceeds of the land sales, a resource which, from the nature of the case, could not be considered permanent.

In January, 1829, the state debt was \$81,900, the treasurer predicted a large deficit for the current year, and the governor urged that a state tax was absolutely necessary;⁴ but the legislature took no action until the June⁵

¹ Statistics of the receipts and expenditures from 1825 to 1860 may be found in the tables at the end of this essay.

² Message, Jan. 1826.

³ Messages, Jan. 1827 and Jan. 1828.

⁴ Message, Jan. 1829.

⁵ The inaction of the legislature called forth adverse comment both within and without the state. See *Boston Weekly Messenger*, March 19, 1829.

session, when, in response to new entreaties from the governor, it called for a tax of \$75,000—less than had ever been asked since 1780, and not enough to prevent a deficit, this time of \$31,000. The return to direct taxation had been due to no fault of the bank and auction taxes, which, as anticipated, increased from \$169,600 in 1825 to \$240,000 in 1829. The trouble was that the outlay had risen, with even greater rapidity, from \$198,500 to \$293,900, leaving a gap which the income from lands and miscellaneous sources could not fill.

In 1830 and 1831 there were further deficits aggregating \$66,800, also due to the growth of expenditures, which rose to \$381,300 in the latter year. It was necessary, therefore, in each year, to levy a state tax of \$75,000. By the opening of 1832 the debt had risen to \$169,480, and the treasurer predicted a deficit for the current year. Governor Lincoln now urged a policy of economy and retrenchment,⁶ and the finance committee of the House of Representatives proposed to increase the state tax to \$100,000. In its report upon the financial situation⁷ the committee, of which Robert Rantoul was then chairman, argued that the direct tax upon polls and estates was preferable to any other because it “presents directly to the view of every citizen the amount of his contribution towards the expenses of the State” and “affords the greatest security that no more will be demanded than the public good requires.” It is evident that the committee—and with good reason—believed that expenditures had increased unwarrantably since the state tax was suspended in 1825. Yet in the face of six successive deficits the legislature refused to call for another tax.

Such action, or rather inaction, seems incomprehensi-

⁶ Message, Jan., 1832.

⁷ House Doc. 7 of 1832.

ble; but there were mitigating circumstances. In the first place some \$74,000 of the state tax of 1831 was unpaid and would come into the treasury in 1832. Then a number of new banks were being established, and the bank tax was certain to increase; as a matter of fact, the receipts from the bank and auction taxes advanced from \$222,900 in 1831 to \$272,300 in 1832, and to \$309,800 the following year. Moreover a policy of retrenchment had been adopted, temporarily at least, by which the expenditures for 1832 were likely to be materially reduced. Finally, in the previous year the state had received \$281,000 from the federal government in reimbursement for part of its outlay during the War of 1812, and this money had been deposited at interest, in Boston banks, awaiting final disposition. In view of these facts, the outstanding debt of \$169,000 did not seem a matter of great moment.

As events proved, 1832 and the two following years showed large surpluses, aggregating \$147,000, which made it possible to reduce the debt to \$67,488 at the beginning of 1835. This favorable result was due in some part to a reduction of expenditures and an increase in the yield of the bank and auction taxes;⁸ then, too, in 1832 no less than \$74,500 was received from the state tax of 1831. But the revenues had been unexpectedly swollen by a sudden rise in the proceeds of land sales, which, as against \$10,900 in 1830, brought in \$77,300 in 1833 and \$50,300 in 1834.⁹ When Governor Lincoln

⁸ These taxes yielded \$336,200 in 1834 as compared with \$231,300 in 1830.

⁹ The large receipts for 1833 represent an accumulation of the income for two or three years. In 1831 a law was passed providing that the land revenues should be credited to a separate fund and safely invested by the treasurer. This was intended as the first step toward separating land sales from the ordinary revenue. (Ch. 98 of 1830.) In 1833, however, the legislature, rather than levy a state

retired from office at the end of 1833, he declared himself satisfied with the financial policy of the state;¹⁰ yet the treasury was at that moment largely dependent upon the land revenue, which, as the governor had cautioned the legislature a few years before, could not prudently be used for meeting ordinary expenditures.

In judging the policy of the legislature, however, certain other factors should be taken into account. The state was experiencing the general prosperity attending the great speculative movement which culminated in the panic of 1837. Banks were multiplying, and the yield of the bank tax was increasing greatly; imports were large, and the revenue from the auction tax was steadily growing;¹¹ finally, the lands in Maine were in lively demand, and the income from this source was rising with unprecedented rapidity.¹² At many points, in fact, the experience of the commonwealth paralleled that of the federal government at this epoch. So favorable was the outlook, indeed, that the legislature felt able to create the Massachusetts school fund,¹³ and to provide that the \$281,000 received from the federal government in 1831, as well as one-half the proceeds of land sales affected after January 1, 1835, should be placed to the credit of the fund.¹⁴

tax ordered that this fund should be restored to the ordinary revenue. (Ch. 55 of 1833.)

¹⁰ Senate Doc. 6 of 1834.

¹¹ During the seven years culminating in 1837 the yield of the bank and auction taxes advanced as follows:

	<i>Bank Tax.</i>	<i>Auction Tax.</i>
1830.....	\$193,200	\$33,100
1837.....	379,200	55,900

¹² From 1825 to 1830 the land sales had brought in from twelve to fifteen thousand dollars a year. In 1834 the receipts were \$50,300; and the following year, \$179,600, of which one-half was turned into the school fund.

¹³ Ch. 169 of 1834.

¹⁴ By 1840 the school fund had grown to \$437,592; by 1850, to \$904,000; and by 1860, to \$1,523,000.

The year 1835 brought an increase of more than thirty-six per cent. in the expenditures, and a resulting deficit of \$47,800, although the revenues were larger than ever before. Similar results were shown in 1836 and 1837, the expenditures amounting to \$510,400 in the latter year. Once more the state was forced to borrow money for current expenses, and the debt began to increase. Three successive deficits had now occurred, and the panic of 1837 had brought to an end the remarkable commercial activity which had swollen the revenues from the bank and auction taxes, yet no move was made to levy a state tax.

At this time, indeed, the commonwealth was interested in important enterprises which diverted attention from commonplace questions of finance. Railroad construction was actively under way in Massachusetts, and the credit of the state was being used in aid of various companies. In 1837 the commonwealth subscribed for \$1,000,000 of stock in the Western Railroad; and loans were soon made to this and to other companies, for which mortgage bonds were taken as security. During the next six years \$1,000,000 was borrowed and invested in Western Railroad stock; and not less than \$5,050,000 in railway bonds.¹⁵ In 1837, also, Massachusetts received \$1,338,173 from the national government, as its share of the surplus revenue deposited with the states. Governor Everett urged that the Western Railroad stock should be purchased out of this deposit;¹⁶ but the legislature decided to distribute the money among the towns, and to make a loan in order to pay for the subscription. This was, therefore, a year of large undertakings. Massachusetts, like many of the other states, was busy with great internal

¹⁵ Full data showing the growth of these loans, by years, may be found in House Doc. 10 and Senate Doc. 21 of 1843.

¹⁶ Message, Jan., 1837.

improvements which made a mere deficit in its ordinary revenue seem too small a matter for serious consideration.

During 1838 the revenue from the bank and auction taxes steadily declined, while the half of the land sales not appropriated to the school fund under the law of 1834 was now diverted to a sinking fund created to retire the scrip issued in purchasing stock in the Western Railroad.¹⁷ From this time onward the eastern lands no longer figure among the ordinary revenues.¹⁸ Governor Everett at this juncture merely warned the legislature that economy was necessary, and the unpleasant subject of a state tax seems to have been avoided by common consent. The only possible result was another deficit, this time of \$72,300. In 1839 legislative inaction continued,¹⁹ although a committee was appointed to consider plans for retrenchment; and a further deficit of \$67,900 was reported. At the opening of 1840 the debt of the state was \$602,000,²⁰ of which one-half represented the five successive deficits, and the other half the Western Railroad stock purchased up to that date. In addition there was a contingent liability for \$3,240,000 of borrowed money loaned to various railroads and secured by bonds held in the treasury.²¹

¹⁷ Ch. 172 of 1837.

¹⁸ Small sums received in payment of notes given for lands sold in earlier years still appear in the ordinary revenues. In 1853 the remaining lands in Maine were sold for \$616,000, and this sum was divided between the school and sinking funds. From 1820 to 1851 the total land receipts were \$1,998,000. House Doc. 47 of 1851.

¹⁹ Governor Everett, in his message of January, 1839, reviews carefully the policy of the state since 1825. He said that in earlier times, when revenues had been raised chiefly by a direct tax, expenditures had been kept "within the limits of severe economy"; and that, as soon as the tax was suspended, the appropriations became much larger.

²⁰ House Doc. 10 of 1843.

²¹ Senate Doc. 21 of 1843.

In 1840 a Democratic governor, Marcus Morton, sent the legislature a message that dealt vigorously with the financial situation.²² He pointed out that for several years the state had been borrowing money for current expenses, and had made little effort to reduce the annual outlay.²³ He referred also to the heavy liabilities incurred by aiding railroad enterprises, and seemed doubtful of the wisdom of this policy. As a remedy for the recurring deficits he urged heroic measures of retrenchment, believing that the bank and auction taxes would suffice for the legitimate needs of the commonwealth. His criticism of the policies pursued by previous administrations called out lively rejoinders from the Whig members of the legislature and the Whig State Central Committee.²⁴

At this distance it is not difficult to determine the merits of the controversy thus aroused. Governor Morton was right in believing that there had been extravagance, as we shall presently see; the Whigs were right in maintaining that much of the increased expenditure was for desirable and necessary objects. The governor was right in condemning the policy of borrowing to meet recurring deficits; yet the Whigs could point to the fact that considerable sums of money had been diverted from the ordinary revenues into the school and sinking funds, so that the actual situation was not so serious after all. With regard to existing investments in railroad securities, time showed that Mr. Morton's fears were groundless. Massachusetts was a small state with a comparatively dense population; and the early railroads, offering no difficult engineering problems, were reasonably successful. The Western Railroad stock proved ultimately a good invest-

²² Message, Jan. 1840.

²³ Expenditures had been \$510,400 in 1837 and \$481,200 in 1839.

²⁴ "Answer of the Whig Members of the Legislature"; and "A View of the Public Expenses of Massachusetts".

ment; and the early loans secured by railroad bonds were no burden to the state since the companies were able to pay the interest and make adequate contributions to sinking funds. Internal improvements in Massachusetts presented a radically different problem from that which they offered in the South or West; but that danger lurked in the policy of public grants to private enterprises, subsequent ventures with the Hoosac Tunnel and the Boston, Hartford, and Erie were to demonstrate. Finally it is too clear for controversy that the policy of the state with reference to its ordinary revenue and expenditure had not been a sound one, and, if persisted in, would finally lead to trouble.

Rigid economy and retrenchment now became the order of the day. In 1840 a reduction of \$65,400 in the ordinary expenditures reduced the deficit to \$10,100, and in 1841 a small surplus appeared. The policy of financing the state without direct taxation had now been in operation for sixteen years (1826-1841); and a special statement prepared by the treasurer²⁵ showed that, during this period, the ordinary expenditures had been \$6,143,624, and the ordinary revenues, \$5,816,218, leaving a net deficit of \$327,400. As an offset, there were the accumulated school and sinking funds;²⁶ but this fact merely relieved the seriousness of the situation without making conditions satisfactory.

During these years of recurring deficits two or three new taxes found their way, for longer or shorter times, into the revenue system of the state. The general insurance law enacted in 1832²⁷ provided that the agents of foreign insurance companies doing business in Massachu-

²⁵ House Doc. 8 of 1842.

²⁶ This fact served as the usual defence of the policy of the state. See House Doc. 15 of 1845, pp. 15-16.

²⁷ Ch. 140 of 1832.

setts should be taxed whenever the states in which they were chartered imposed a tax upon agents of Massachusetts companies. This is interesting as the second corporation tax introduced in Massachusetts, and one of the earliest of the retaliatory insurance taxes which later became so common among the states; it was insignificant, however, from a financial point of view, although various later enactments sought to make it more effectual. Prior to 1852 it generally yielded less than a thousand dollars; and then, after amendment,²⁸ brought in about five thousand.

A tax upon alien immigrants was somewhat more productive. This levied a duty of two dollars upon each alien passenger brought into the state, and was at first a local tax. After 1840, however, the towns were required to pay into the state treasury any surplus the tax might produce over and above the cost of maintaining alien paupers.²⁹ From 1840 to 1849 the state received, upon an average, something less than ten thousand dollars a year from this source. Thereafter, with the increase of immigration, the receipts increased materially, rising to \$52,634 in 1856; then declining until they fell to \$13,396 in 1860.³⁰

Finally in 1841 a probate duty, or tax, of one-fourth of one per cent of the value of estates, was established in order to meet the expenses of the probate courts.³¹ This act was repealed³² after it had been in operation for two

²⁸ Ch. 331 of 1851, ch. 453 of 1854.

²⁹ Chs. 238 of 1837, 96 of 1840, and 313 of 1848. *Cf.* Cummings, *Poor Laws of Massachusetts and New York*, 39.

³⁰ In 1849 the federal courts declared this tax unconstitutional. But the state legislature enacted a new law, slightly changed in form, and the state continued to collect the tax. Chs. 105 of 1850 and 279 of 1852.

³¹ Ch. 123 of 1841.

³² Ch. 11 of 1843.

years, during which it produced a trifle more than twenty thousand dollars. Except in a few years prior to 1854, when the tax on alien passengers made a respectable showing in the budget, none of these auxiliary taxes contributed materially to the revenue of the state; and the same is true of a license tax upon peddlers and hawkers, established in 1846.³³ The unsatisfactory condition of the treasury in 1843 led to some discussion of a tax upon railroad corporations,³⁴ but nothing came from the suggestion; and the tax system of Massachusetts continued unchanged in its general features down to the Civil War.

During 1842 and 1843 further retrenchment³⁵ enabled the treasury to show moderate surpluses, yet not large enough to extinguish the accumulated debts. In the latter year, at the suggestion of Governor Morton, who had returned to the executive chair, a general reduction of salaries was effected.³⁶ For the time being the deficits had been abolished; but the revenues were no larger than in 1838, and there was need of persistent economy. Governor Morton believed, furthermore, that the direct and contingent debts were dangerously large,³⁷ and that the

³³ Ch. 244 of 1846. The receipts were \$4,493 in 1847; thereafter, as the result of lax enforcement, they declined. In 1860 the tax brought in \$171.

³⁴ House Doc. 92 of 1843.

³⁵ *Cf.* reports of the finance committee in 1841 and 1842. House Docs. 8 and 63 of 1841, and 16 of 1842.

³⁶ Ch. 9 of 1843.

³⁷ In 1843 the debt was as follows:

Temporary loans (to meet deficits).....	\$174,200
Charles River Bridge loan.....	25,000
Western Railroad stock loan.....	1,015,500
<hr/>	
Total direct debt.....	\$1,214,700
Contingent debt	5,050,000
<hr/>	
	\$6,264,700

House Doc. 10 and Senate Doc. 21 of 1843.

practice of borrowing and the suspension of the state tax made the legislature careless about authorizing new expenditures.³⁸

At this point it becomes necessary to study in detail the movement of the state's expenditures from 1825 to 1860. For this purpose two tables may be constructed, one, retrospective, showing the outlay in significant years from 1825 to 1842; the other, prospective, performing the same service for the period 1842 to 1860. The first table is as follows:

EXPENDITURES (in thousands of dollars).					
	1825.	1831.	1832.	1837.	1842.
1. Legislative, executive, and judicial	93.6	193.6	173.4	282.1	154.9
2. Industrial and educational.....	3.2	10.5	12.6	13.4	23.8
3. Charitable	51.4	110.5	60.4	98.1	73.5
4. Military	3.1	9.2	8.7	36.2	31.1
5. Penal	17.6	48.8	31.6	52.6	23.9
6. Interest	1.0	6.8	7.3	18.2	44.7
7. Miscellaneous	28.6	1.8	10.5	9.9	5.7
Total	198.5	381.2	304.5	510.5	357.6

The rapid growth of expenditures after the state tax was suspended in 1825 is shown by the large total outlay for 1831, and the sobering effect of reintroducing the tax is reflected in the reduced outlay for 1832. The increase of expenditures again, under the influence of commercial prosperity and increasing revenue from the bank and auction taxes, is shown in the figures for 1837; while the forced retrenchment after the great panic reaches its full extent in 1842. The total expenditures of the commonwealth, evidently, were as variable as its revenues.

³⁸ Concerning certain outlays authorized in the past, he said: "These expenditures never would have been incurred by the government, had it been under the necessity of raising the amount expended, directly, and in a perceptible form, from the people." Message, Jan. 1843. His remarks called out an "Address of the Whig Members."

From 1825 to 1831 the chief increase was in the legislative, charitable, and penal expenditures; and it is demonstrable that a considerable part of this was due to loose and extravagant management, pure and simple. Prior to 1826 the pay of members of the House of Representatives had been charged to the towns, and added to the annual state tax; but when the state suspended the tax, it automatically assumed the burden of paying these salaries. The towns, accordingly, began to send a larger number of representatives,—the House becoming finally so large as to be unwieldy,—and this item of expenditure increased prodigiously. In 1825 the entire pay of the legislature was \$36,603, while by 1837 it had risen to \$164,583.³⁹ When retrenchment became necessary, this item was readily enough reduced until, in 1842, it amounted to no more than \$60,834. The chief factor, therefore, in producing the twelve deficits which occurred between 1826 and 1840 was one that was wholly in control of the legislature itself and directly connected with the suspension of the state tax.⁴⁰

The growth of charitable expenditures was due chiefly to the increase of grants in aid of the blind, the deaf and dumb, the state lunatic hospital, and other legitimate purposes; but there was much waste in the outlay for the support of state paupers—a subject to which we shall presently return. Penal expenses increased on account of the growing cost of criminal prosecutions in the various counties, of which the commonwealth assumed two

³⁹ See messages of Governor Everett, Jan. 1839, and of Governor Davis, Jan. 1842. This aspect of the state's finances at this period is shrewdly criticized by Alexander Trotter, in his *Observations on the Financial Position of the States of the North American Union*, 121-122.

⁴⁰ In 1829, 1830, and 1831, when state taxes were laid, no special tax upon the towns for representatives' expenses was included in the levies.

thirds. There was no adequate supervision over county affairs, abuses in the administration of criminal justice developed, and the outlay was unnecessarily large.⁴¹ Upon the whole, it seems certain that legitimate expenditures need not have increased faster than the revenues during the years from 1826 to 1842—a conclusion which is borne out by the fact that, under the pressure of necessity, the outlay was greatly reduced after the panic of 1837.

The second table will give the reader a fair idea of the general movement of the state's finances from 1842 to 1860:

EXPENDITURES⁴² (in thousands of dollars).

	1842.	1850.	1855.	1860.
1. Legislative, executive, and judicial	154.9	208.6	441.6	358.5
2. Industrial and educational.....	23.8	16.7	44.8	70.8
3. Charitable	73.5	153.9	398.7	290.8
4. Military	31.1	26.8	78.3	68.8
5. Penal	23.9	95.1	255.0	232.0
6. Interest	44.7	58.1	113.2	94.4
7. Miscellaneous	5.7	6.9	79.5	78.6
Total	357.6	566.1	1,411.1	1,193.9

After a moderately rapid increase of expenditures from 1842 to 1850, it will be observed, the outlay increased by leaps and bounds until by 1857 the people of the state were living in a new financial world. In 1842 the total expenditure was approximately 45 cents per capita; in 1850 it was but 57 cents; but in 1855 it rose to \$1.27, declining to 97 cents in 1860. The absolute increase is

⁴¹ See message of Governor Everett in Jan. 1837, and especially the messages of Governor Banks in 1859 and 1860.

⁴² The figures show money disbursed during the year. After 1855 they differ from certain tables in the auditor's report, which state expenditures properly belonging to each year. Our figures follow the treasurer's.

greatest in the first, third, and fifth items, in which, unfortunately, there was the most extravagance and waste. Legislative expenditures, after being held within bounds until 1850, suddenly increased again with no corresponding gain in efficiency. The construction of railways enabled members to absent themselves, delaying the work of the legislature and prolonging the sessions. Petty extravagance and "graft" developed in supplying members with newspapers, jack-knives, and miscellaneous articles; while favoritism was shown in purchasing supplies and letting contracts for repairs on the state house. These abuses were sharply criticized by the auditor in his reports for 1854 and 1856; in 1858, the *per diem* allowance to members was replaced by fixed salaries,⁴³ after which the length of the sessions decreased and expenditures diminished. The outlay for penal purposes was rapidly swollen after 1842 by the increased cost of criminal prosecutions in the counties, which reached \$79,800 in 1851 and \$223,000 in 1858.⁴⁴ Governor Banks's attacks upon the abuses that prevailed here led at length to the passage of a law by which the state ceased to bear any part of this burden.⁴⁵ The charitable expenditures, always attended with abuses, advanced rapidly as immigration assumed large proportions after 1840. Some increase here was inevitable; but it was proven in 1851 that the towns had been systematically cheating the state, by collecting board for dead paupers or overcharging for live ones.⁴⁶ In

⁴³ Ch. 2 of 1858.

⁴⁴ The enormous increase from 1853 to 1858 was largely caused by the undue cost of prosecutions under the prohibitory law. Local officials, paid by fees, showed undue diligence in prosecuting cases where conviction was impossible.

⁴⁵ Ch. 191 of 1860. Cf. Governor Banks's messages of 1859 and 1860.

⁴⁶ John Cummings, *Poor Laws of Massachusetts and New York*, 44; Reports of State Board of Charities, 1864, 1882, and 1884.

1852 the construction of state almshouses was begun, but this measure did not decrease the cost of supporting the commonwealth's poor. The whole matter was still in an unsatisfactory condition when the State Board of Charities was established in 1863.

But after making allowance for much extravagance and waste, there remained a considerable part of the increased outlay which was both desirable and inevitable. Large sums were spent in 1860 upon dependent and defective classes wholly neglected half a century before. Hospitals, asylums, reformatory and correctional institutions, were demanded by the conditions of the time; and these things cost money. Various boards and commissions of a supervisory or administrative character had come into existence, entailing additional expense. The militia system of the state was in process of modernization, and other branches of the public service were being extended and improved. Even if extravagance had been eliminated, the total expenditures of the state would have increased; whether the per capita outlay need have risen, is a question which cannot be determined with certainty.

It will be recalled that in 1843 a policy of vigorous retrenchment had restored stability to the finances of Massachusetts; but, at the opening of 1844, the condition of the treasury again required serious attention. The principal disturbing factor was the increase in the interest upon the scrip issued to purchase Western Railroad stock which had not yet begun to yield dividends. Since 1837, although retrenchment had been enforced in other departments, the annual interest payments had advanced from \$18,212 to \$56,229; while \$71,588 would be due in 1844, all but \$10,000 of which was chargeable to the account of the railroad investment. The growth of immigration, moreover, threatened an increase of expendi-

tures for state paupers; while the yield of the bank tax was expected to decline. The finance committee, in view of the prospective deficit, recommended that a state tax of \$75,000 be levied; and the legislature, for the first time since 1825, responded⁴⁷ promptly to this wise suggestion.⁴⁸

The year 1844 showed a deficit of \$36,600, since little was received from the state tax until the following year; and, at the opening of 1845, another deficit being predicted, a second tax of \$75,000 was called for. But before the end of the year dividends of \$60,000 were received from the Western Railroad stock, and a surplus was finally reported. Since the dividends were equal to the interest upon the railroad scrip, and were expected to continue, it was decided to levy no tax in 1846. Thus the state returned to the policy of 1825. In 1846 and 1847 the expectations of the legislature were not disappointed, and surpluses aggregating \$102,500 were reported. By the latter year the loans contracted to meet former deficits had been extinguished, and the direct debt of the state was reduced to \$995,000, representing what had proved a profitable investment in Western Railroad stock.

Business conditions were now improving, and the revenue from the bank and auction taxes was on the increase. The latter tax was amended before long in such a way as to reduce its productivity, and in 1852 it was finally abolished.⁴⁹ Receipts from the bank tax, however, continued

⁴⁷ Ch. 165 of 1844.

⁴⁸ The finance committee, in its report, took occasion to say that Massachusetts had been supported so long by indirect taxation, that most people had come to look upon direct taxation as a thing of the remote past, and gone forever. House Doc. 27 of 1844, p. 9.

⁴⁹ Chs. 138 of 1849 and 139 of 1852. The auction tax had always been unpopular among merchants, and was alleged to have diverted some of the import trade from Boston to Newport.

to grow, and soon made good the loss of the duty upon auction sales.⁵⁰ But abundant revenues⁵¹ raised without a direct tax led forthwith to an unprecedented growth of expenditures, just as in the early thirties. As a result, five successive deficits, aggregating \$319,700, were reported from 1848 to 1852; and a floating debt of \$220,000 was accumulated. Moreover, not less than \$400,000 of borrowed money had been expended upon public buildings and institutions not accounted for in the ordinary budget.

The situation was in no way alarming. The school fund and the Western-Railroad-stock sinking fund were steadily growing; the floating debt was not large, and could have been wiped out by a single state tax of twenty-five cents per capita. But such a series of deficits was inexcusable, none the less. In 1850, 1851, and 1852 the deficits had been foreseen, yet the legislature adopted no effectual measures of relief. In 1850 the annual income of the Western-Railroad-stock sinking fund was carried to the ordinary revenue and made available for current expenses. This gave some relief, amounting in 1852 to \$36,658, and soon increasing to \$60,000; but it was a

⁵⁰ In significant years the yield of the bank and auction taxes was as follows (in thousands of dollars):

	<i>Bank Tax.</i>	<i>Auction Tax.</i>
1837.....	379.2	55.9
1844.....	305.6	40.9
1850.....	354.7	12.9
1853.....	443.3	—
1857.....	590.9	—
1860.....	646.0	—

⁵¹ Since 1844 the total ordinary revenue, in thousands of dollars, had stood as follows:

1844.....	377.0	1849.....	490.9
1845.....	505.6	1850.....	492.8
1846.....	502.1	1851.....	566.4
1847.....	500.2	1852.....	598.2
1848.....	505.3		

temporizing measure, of doubtful propriety.⁵² In 1851 the auditor suggested the possibility of another foray into the funds appropriated for the extinction of the state debt,⁵³ and the next year raised the question of selling the Western Railroad stock;⁵⁴ but this unwise counsel was not listened to. Early in 1852 the governor recommended a state tax,⁵⁵ but the finance committee replied that such a measure "would find no favor with the present legislature".⁵⁶ The state was once more temporizing with a financial situation that called for vigorous action.

At the opening of 1853 the gap between the expenditures and the revenues was steadily widening, and both auditor and governor advised levying a state tax. Further delay, in fact, had become impossible, since the prospective deficit in the ordinary revenues was estimated at from \$100,000 to \$150,000;⁵⁷ while for extraordinary purposes, such as the new hospital and almshouses, no less than \$100,000 would have to be borrowed. Accord-

⁵² Ch. 189 of 1850. In defence of the measure it was said that the sinking fund was then large enough so that, with the annual income from land sales, it would be able to extinguish the railroad scrip when it matured in 1857. The interest on the fund, therefore, could well enough be spared. See report of auditor, 1850, p. 19; House Doc. 60 of 1850, p. 5. This argument would have been valid if no other debts had been accumulating. As matters stood, the legislature, rather than levy a state tax, chose to dip into a sinking fund which, if larger than necessary for its original purpose, would better have been applied to the reduction of the new debts which were being incurred.

⁵³ Report for 1850, pp. 29 and 32.

⁵⁴ Report for 1851, p. 30.

⁵⁵ Message, Jan., 1852.

⁵⁶ House Doc. 245 of 1852, p. 2.

⁵⁷ This included a deficit of \$51,000 on the usual charges, and from \$50,000 to \$100,000 for the Constitutional Convention of 1853. Report of the auditor for 1852, p. 7.

ingly the legislature decided to call for a tax of \$300,000,⁵⁸—a larger sum than had ever been needed since Revolutionary days. It represented, however, a per capita charge of only twenty-eight cents. With this resource the treasury showed a surplus of \$4,700 for 1853, both the receipts and expenditures exceeding all previous records.

With the state tax of 1853, the plan of financing the commonwealth by indirect taxation finally broke down, although this was not recognized at the time. The state was now committed to so many educational, charitable, and administrative enterprises that even the resort to direct taxation did not immediately reduce the expenditures. On the ordinary budget the outlay rose no less than one-hundred and nine per cent between 1852 and 1855,⁵⁹ and did not materially decrease again until after the panic of 1857. Moreover large sums of borrowed money, which figured only in the extraordinary budget, were expended upon public buildings and institutions, increasing materially the future interest charges. Extravagance was much in evidence, as we have seen;⁶⁰ but the legitimate needs of the state had outgrown hopelessly the revenue from the bank tax, and budgetary equilibrium could no longer be secured without direct taxation or some important new resource.

For a time the legislature met the situation manfully by continuing the state tax in operation, and increasing its amount as fast as necessary.⁶¹ By 1857 the tax had

⁵⁸ Ch. 417 of 1853.

⁵⁹ From \$674,600 to \$1,411,200.

⁶⁰ For criticisms of extravagance at this period see governors' messages of Jan., 1856, and Jan., 1858; Report of auditor for 1856, p. 53; *idem*, 1857.

⁶¹ The auditor and the House committee on finance seem to have entertained no idea of letting deficits accumulate. See reports of auditor for 1853, p. 10, and 1854, pp. 9-10. For the reports of finance

risen to \$899,973,⁶² a sum which would have furnished a strong argument for retrenchment, even if the great panic of that year had not supplied another.

From 1858 to 1860 the ordinary expenditures were somewhat reduced, although they never returned to their former proportions.⁶³ The heavy tax of 1857 produced a surplus for that year, and helped to produce another in 1858; but in the latter year, with budgetary equilibrium barely restored, the legislature lowered the next tax to \$359,988. At the opening of 1859 the auditor urged⁶⁴ that it was important that the legislature should reduce expenditures sufficiently to "bring them within the ordinary income of the Commonwealth, without resorting to a state tax"; and Governor Banks expressed the hope that persistent economy would make it possible to abolish the state tax before long, or reduce it to a nominal figure.⁶⁵ Clearly enough, direct taxation was still regarded as an "extraordinary" expedient, and the state had not abandoned its intention of returning to the policy of 1825. In 1859, accordingly, the state tax was reduced to \$299,994.

The result was a deficit of \$260,200 in the ordinary budget for 1859; yet the next tax was reduced to \$249,995, and a deficit of \$177,600 followed in 1860. These conditions were declared to be due to unusual

committees see House Docs. 142 of 1854, 293 of 1855, 284 of 1856, 208 of 1857, 180 of 1858.

⁶² From 1853 to 1860 the tax was as follows:

1853.....	\$300,000	1857.....	\$899,973
1854.....	300,000	1858.....	359,988
1855.....	449,986	1859.....	299,994
1856.....	599,982	1860.....	249,995

⁶³ It is interesting to note that, in 1858, as a means of securing economy, the appropriations for the year were included in a single act. This had not been done since the colonial period.

⁶⁴ Report for 1858, p. 253.

⁶⁵ Message, Jan., 1859.

expenditures, and in no way indicative of unsound financial policies;⁶⁶ while the auditor continued to urge that the expenditures should be cut down enough to bring them within the limits of the "ordinary" revenue.⁶⁷

The truth was, however, that the state was steadily running behind. From 1853 to 1858, inclusive, when the state tax had steadily increased, the ordinary expenditures had exceeded the revenues by \$71,000; showing that the legislature had not made the tax too high for the needs of the commonwealth. In 1859 and 1860, with the tax cut in halves, the deficits had aggregated \$437,000; so that the total deficit since 1853 was not less than \$508,000. Meanwhile the commonwealth had been borrowing money for current expenditures, as well as for public buildings and improvements of a permanent character. Upon January 1, 1853, leaving the Western Railroad scrip out of the account,⁶⁸ the direct debt of the state had been \$620,000, of which \$400,000 represented public works and buildings, and \$220,000 temporary loans to meet deficits. By January 1, 1861, the figures had risen to \$1,648,900, of which something less than half was due to the deficiencies in the revenues.⁶⁹ For this unsatisfactory result the reduction of the tax after 1857 is chiefly responsible.

Reapportionment of the state tax had been made at intervals of ten years by the customary valuation committees, but no changes of great importance had occurred since 1821. The steady increase of population and taxable polls made it necessary to reduce the figures at which

⁶⁶ See reports of auditor for 1859 and 1860, and message of the governor in January, 1861.

⁶⁷ Report for 1859, pp. 271-272, and for 1860, p. 9.

⁶⁸ This was paid off at maturity in 1857 out of the sinking fund.

⁶⁹ In 1857 some of the temporary loans were funded, and it is impossible thereafter to state the precise amount of debt contracted to meet deficits.

each poll was rated in apportioning a tax of \$1,000. From one and one-half mills, the rate established in 1821,⁷⁰ the figures gradually declined until in 1861 they had fallen to one half of a mill.⁷¹ The 297,234 polls rated in the latter year would represent, therefore, \$148.61 in every \$1,000 apportioned among the towns, a trifle less than one sixth of each tax. The quota of Boston had not changed very greatly since the revolutionary apportionment in 1821, but her percentage had slightly declined, from 33.17 to 31.52.

In taxing polls the uniform rate of 11 cents for each state tax continued to be prescribed until 1829 when a general act regulating the assessment of taxes made important changes.⁷² This law provided that thereafter one sixth of all taxes, state and local, should be assessed upon polls; but with the important limitation that the entire poll tax for city, town, and county purposes⁷³ should not exceed \$1.50. In 1843 Governor Morton recommended that the poll tax be reduced to a nominal figure,⁷⁴ but the legislature refused to assent to his recommendation.⁷⁵

When state taxes were reintroduced in 1853 the act of 1829 was lost sight of by the local assessors.⁷⁶ In many

⁷⁰ Felt, *Statistics of Taxation*, 544.

⁷¹ Sen. Doc. 33 of 1861.

⁷² Ch. 143 of 1828, sec. 3. This law was embodied in the Revised Statutes, ch. 7, sec. 27.

⁷³ Highway taxes were expressly excluded from this limitation. In 1859 a new act extended the provisions of the act of 1829 to highway taxes when not separately assessed. Ch. 157 of 1859. The supreme court held that the limitation established in 1829 did not apply to school district taxes. 14 Pickering, 362.

⁷⁴ Message of Jan., 1843.

⁷⁵ This was one of the points at which the governor was attacked by the Whig members in their address of 1843.

⁷⁶ This oversight was the easier in view of the fact that the tax acts of 1853 and 1854 did not, like those passed in the twenties,

towns, at least, the whole sums needed to pay their quotas were assessed upon property, in complete disregard of the requirement that one sixth of every tax should be levied upon polls.⁷⁷ In a test case the supreme court decided that this omission rendered the entire assessment invalid,⁷⁸ so that the assessors were obliged to return to the procedure established in 1829. As the state tax rose from \$300,000 to \$899,973, the aggregate assessment upon polls considerably increased; and complaints were heard that it was unjust to make the payment of such a heavy tax a prerequisite for the exercise of the right of suffrage.⁷⁹ Statistics collected in 1858⁸⁰ show that the greatest diversity existed among the various towns, the aggregate tax payable by polls ranging from \$2.72 down to less than half that sum. Governor Banks contented himself with the recommendation that no part of the state tax be assessed upon polls, but no action in this direction was taken by the legislature.

At the close of our third period Massachusetts was endeavoring to rid itself of direct taxation, or, at least, to reduce the annual levy to a nominal amount. The bank tax and miscellaneous income were called the ordinary revenue, and the state tax was looked upon as an extraordinary expedient. This policy had led to recurrent deficits ever since its adoption in 1825. During the thirty-five years it had been in operation, there had been twenty-two deficits; while the state tax was levied in but thirteen years, and then, as a rule, in insufficient amount. Whenever revenues obtained without direct taxation be-

contain explicit directions concerning assessment. Such matters were now regulated by perpetual statutes.

⁷⁷ Governor's message, Jan., 1859.

⁷⁸ 75 Gray 38.

⁷⁹ This continued to be the requirement until 1891.

⁸⁰ Governor's message, Jan., 1859.

came abundant, expenditures immediately increased at an even greater rate, until a series of deficits enforced retrenchment or a state tax—or both. Upon several occasions direct taxation had been avoided only by applying to current expenditures funds set aside for other purposes; more than once temporary loans which had become unduly large in times of deficient revenue were converted into funded debt;⁸¹ for almost every unusual undertaking resort was had to loans; but thanks to good fortune in railroad investments and to the revenue from the public lands, no large accumulations of debt had resulted. In a less developed or frontier state the policy of Massachusetts at this epoch might have spelled disaster; but, under the conditions that existed here, the result was nothing more serious than a slovenly management of the finances.

At the opening of 1861 the direct state debt was \$1,648,900, the \$995,000 of scrip issued to pay for Western Railroad stock having been retired in 1857 out of the accumulations of the sinking fund. The contingent debt of \$5,527,000 had as yet been no burden; although upon money recently borrowed and loaned to the Troy and Greenfield Railroad (amounting to \$627,572 in 1861), the state was soon obliged to meet the interest.⁸² Against the direct debt the commonwealth held a large amount of productive property, accumulated chiefly out of land sales and occasional windfalls.⁸³ The Western Railroad stock, now held clear of incumbrance, amounted to \$705,600; not less than \$534,000 had been accumulated from sales

⁸¹ See loans authorized by chs. 78 of 1839 and 235 of 1856. In 1861 it was necessary to fund \$300,000 of floating debt inherited from previous years. Ch. 198 of 1861.

⁸² Report of auditor for 1861, p. 5.

⁸³ Thus \$236,000 was received from the United States in 1859 in reimbursement of military expenses during the War of 1812, and carried to the sinking fund. Of this sum, \$75,700 was paid to Maine.

of the Back Bay lands, which were fast becoming a valuable asset;⁸⁴ and \$168,400 was held in two special sinking funds; a total of \$1,408,000,⁸⁵ of which \$1,174,000 was pledged for payment of the debt.⁸⁶ The unsold Back Bay lands were variously estimated to be worth from \$1,452,000 to \$3,000,000,⁸⁷ and the school fund had risen to \$1,527,800; so that the direct debt was not considered a serious burden. Indeed the slovenly policy of the state with regard to its ordinary revenues was partly redeemed by the persistent application, after 1834, of the income from the Maine and Back Bay lands⁸⁸ to the extinguishment of debt and the accumulation of a school fund. It was inexcusable, of course, virtually to impair these accumulations by borrowing money for current expenses; yet the condition of the state's finances, even if unsatisfactory, was far from dangerous.

⁸⁴ Sales of Back Bay lands began in 1857; one-half the proceeds being spent in improving the remaining lands, the rest being accumulated. Resolve 70 of 1857; auditor's report for 1857, p. 12.

⁸⁵ These sums may be found on p. 19 of the auditor's report for 1860.

⁸⁶ The Western Railroad stock, \$300,000 of the land revenue, and the \$168,400 in special sinking funds were thus pledged. See chs. 197 of 1857, 96 of 1858, and 235 of 1856. See also report of auditor for 1860, p. 19.

⁸⁷ Governor Banks in 1859 estimated the value of the lands at from \$3,000,000 to \$5,000,000. He feared that the possession of this large resource might encourage extravagance, and urged that the income from land sales be used for paying debts and increasing the school

⁸⁸ Approximately \$2,500,000 was received from the Maine lands, and \$534,000 from the Back Bay lands between 1825 and 1860. fund to \$3,000,000. Message, Jan., 1859.

CHAPTER V.
WAR FINANCIERING.
(1861-1867)

Whatever might have come, otherwise, of the attempt to dispense with the state tax, the Civil War brought such dreams to an abrupt end. An enormous increase of expenditures, financed largely by war loans, soon made it necessary to call upon the people to support heavier charges than had ever been known.

Arming and equipping troops cost \$3,529,000, nearly the whole of it being required in 1861.¹ Aid granted to the families of volunteers called for \$9,442,000 between 1862 and 1867, besides leaving a permanent charge which has continued to the present day.² Bounties offered for enlistments led to the expenditure of \$16,344,000 between 1863 and 1866,³ leaving claims of \$1,527,100 to be settled in subsequent years.⁴ Strengthening the coast defences and various miscellaneous objects occasioned the outlay of \$857,900⁵ more; while the war loans speedily raised the interest charges from \$116,800 to \$1,581,400. Neglecting, however, the interest upon such loans, the war expenditure of the state aggregated \$29,594,000 up to the year 1868; while the various towns had spent \$13,010,000 more, and

¹ Auditor's report, 1864, p. 7.

² The figures may be found in the ordinary expenditures for the years in question.

³ The treasurer's report for 1866, p. 16, states the amount at \$12,934,261; but besides this, the state had reimbursed the towns in 1863 for \$3,410,000 of similar expenditures.

⁴ Down to the end of 1905 the total outlay for bounties had amounted to \$17,871,568. Auditor's report for 1905, p. 19.

⁵ Treasurer's report, 1866, p. 16.

private contributions had amounted to \$8,857,000; the grand total standing at \$51,461,000.⁶ Subsequent outlays have added greatly to the burdens caused by the Civil War, in spite of the fact that \$5,454,820 was ultimately received from the United States in reimbursement of certain expenditures.⁷ Up to the close of 1905 claims for bounties and the large annual appropriations for "state aid" to soldiers and their families have absorbed \$22,980,000⁸ in addition to the sums stated above. If interest payments were included, the figures would be materially increased.⁹

To meet these sudden demands, the "Union Fund" loan, of \$3,600,000, was authorized in 1861 for the purpose of equipping troops; while later on \$8,580,244 was borrowed in order to pay bounties to volunteers, and \$888,000 was raised for strengthening the coast defenses.¹⁰ Comparatively little floating debt accumulated¹¹ until 1864, when the Massachusetts banks began to reorganize under the national banking act, and thus

⁶ The subject was investigated by a special committee in 1867 and 1868. See House Docs. 7 of 1867, and 12 of 1868. The above data may be found in House Doc. 12 of 1868, p. 5. The war expenditure of the state as there stated is not quite the same as the total of the four items stated previously in the paragraph. The difference, \$579,000, is due probably to differences in the time or method of computation.

⁷ Up to 1869 the state received \$3,487,862 for its outlay in equipping troops. Valedictory address of Governor Bullock, Jan. 1869. The treasurer's reports show other receipts of \$356,218 between 1883 and 1890, and \$1,611,740 in 1905.

⁸ The auditor's report for 1905 states the total payments for state aid at \$30,895,261, and for bounties, at \$17,871,959. These two items exceed the expenditures from 1861 to 1867 by the amount above stated.

⁹ Thus from 1863 to 1885 interest on the bounty loan amounted to \$9,116,000. Auditor's report for 1905, p. 19.

¹⁰ For an account of these loans see auditor's report, 1866, pp. 16-21.

¹¹ In 1861 the state funded \$300,000 of temporary loans contracted to meet deficits of former years. Ch. 198 of 1861.

secured exemption from the law requiring state banks to lend money to the commonwealth.¹² By January, 1865, a floating debt of \$8,156,100 had suddenly piled up, much of it bearing 7 or 7.3 per cent. interest; but a new loan was finally arranged in order to fund these obligations.¹³

Meanwhile more than a million dollars had been expended on the Hoosac Tunnel enterprise which, upon the collapse of the Troy and Greenfield Railroad, the state itself had undertaken to carry through.¹⁴ From 1861 to the end of 1867 the loans contracted for this purpose rose from \$627,600 to \$1,720,700. By all these operations the direct debt¹⁵ of the state rapidly increased to unheard of proportions, as shown by the following table:

(In thousands of dollars.)					
	<i>Floating</i>	<i>Old</i>	<i>Funded</i>	<i>Hoosac</i>	
<i>January 1.</i>	<i>debt.</i>	<i>funded</i>	<i>war</i>	<i>Tunnel</i>	<i>Total.</i>
		<i>debt.</i>	<i>debt.</i>	<i>enterprise.</i>	
1861.....	358.9	1,290.0	.....	627.6	2,276.5
1865.....	8,156.1	1,610.0 ¹⁶	6,188.5	1,674.9	17,629.5
1868.....	930.9	1,340.0	17,614.1	1,720.7	21,605.7

An interesting feature of the war financiering was the policy, adopted after the issue of the greenbacks in 1862, of declaring that the principal and interest of all loans issued or to be issued by the state should be payable in

¹² The treasurer called attention to this embarrassment in his report for 1864, p. 12.

¹³ The auditor's report for 1866, pp. 19-20, states this loan at \$2,113,000. By Jan. 1, 1868, it had increased to \$3,505,000.

¹⁴ Chs. 156 of 1862 and 510 of 1863. For an account of this enterprise see Tenth Census of the United States, VII, 533-535.

¹⁵ The loans in aid of the Hoosac Tunnel enterprise are here changed from the contingent debt to the direct, since the state was now wholly responsible for them. This makes the total direct debt for 1861 larger than the sum stated on page 54.

¹⁶ About \$300,000 of floating debt outstanding at the opening of 1861 had been funded, and is included here.

coin.¹⁷ This action of the commonwealth increased the interest requirements for 1864 from \$463,564 to \$899,842,¹⁸ the premiums upon gold being greatest in that year; and up to the resumption of specie payments in 1879, cost no less than \$3,703,186.¹⁹ Only two other states, Ohio and California, seem to have taken similar action.²⁰ As early as 1868 the treasurer could estimate that Massachusetts, by the favorable terms then offered for her "coin" bonds, was likely to gain more than the law of 1862 would cost;²¹ but various uncertain elements entered into the computation, and it would be hazardous to-day to attempt a similar estimate.²² Yet there is no doubt that the credit of the state was greatly raised, and is to this day enhanced, by her refusal to take advantage of the depreciation of the national currency.

The growth of extraordinary charges, financed largely by loans, was attended after 1863²³ by an increase of the

¹⁷ Ch. 82 of 1862. The loan issued in 1865 to fund floating debt was expressly excepted from this provision.

¹⁸ Treasurer's report, 1864.

¹⁹ Treasurer's report, 1878, p. 15.

²⁰ Report of treasurer for 1867, p. 17. For information concerning Ohio I am indebted to Professor E. L. Bogart.

²¹ Report for 1867, pp. 18-19.

²² One peculiar fact was the loss suffered by the state through the refusal of railroads which had received state aid to pay the interest and principal of their bonds in gold. The state had purchased the bonds of these roads by issuing its own scrip which came within the provisions of the act of 1862; and it paid the interest on the scrip in specie, while receiving currency from the railroads. Suit was brought to compel the railroads to meet their obligations in specie, but it was foredoomed to failure. On the Eastern Railroad debt the state lost at least \$212,676; and on the Norwich and Worcester, \$82,425. The Boston and Albany paid interest in gold. See treasurer's reports, 1868, p. 9; 1870, p. 21; and report of attorney general for 1872. What further losses may have resulted, I am unable to ascertain.

²³ A statement prepared by the auditor in 1878 shows the following facts:

ordinary outlays. In some measure this was due to the rise of prices caused by the inflation of the currency; the growth of interest payments was a second contributing factor; but, in addition to these influences, between 1864 and 1868 a material increase occurred in nearly all branches of expenditure. The essential facts are shown in the following table of ordinary expenditures for 1860 and 1868:

EXPENDITURES OF MASSACHUSETTS (in thousands of dollars).			
	1860.	1868.	
Legislative	148.3	277.5	
Executive	52.0	132.5	
Judicial	133.3	176.5	
State House	20.7	42.3	
Printing	51.4	68.3	
	<hr/>	<hr/>	
		405.7	697.1
Boards and Commissions.....	16.1	28.3	
Agriculture and Agricultural College.	58.2	85.1	
Educational	24.9	45.7	
Charitable	264.8	480.8	
Penal and Correctional.....	181.2	357.5	
Militia	68.8	322.9	
Expense due to Civil War.....	....	932.0	
Public Buildings	59.2	247.4	
Miscellaneous	12.9	47.7	
	<hr/>	<hr/>	
		686.1	2,547.4
Interest	96.1	1,720.1	
Sinking funds	6.0	195.0	
	<hr/>	<hr/>	
		102.1	1,915.1
	<hr/>	<hr/>	
Total		1,193.9	5,159.6
	<hr/>	<hr/>	
<i>Year.</i>	<i>Ordinary expenses.</i>	<i>Public works.</i>	<i>Total.</i>
1860.....	\$985,300	\$172,700	\$1,158,000
1863.....	955,600	138,800	1,094,400
1867.....	2,011,500	997,600	3,009,100

This omits war expenses. See auditor's report for 1878, p. IX.

The tremendous growth of interest charges speaks for itself. The \$932,000 of expenses due to the Civil War consisted almost wholly of "state aid" to families of volunteers. Upon these two items and upon sinking-fund requirements, the increase since 1860 had been \$2,745,000. But elsewhere a general advance is seen. Legislative, executive, and judicial expenses had steadily risen;²⁴ charitable and correctional departments were spending more than ever before;²⁵ and the militia had been reorganized upon a more elaborate plan. Massachusetts was now committed to a scale of expenditure beside which the outlay before the Civil War seems insignificant enough. Converting the figures to a per capita basis, the ordinary cost of government had advanced from \$0.97 in 1860 to \$3.74 in 1868.

Inevitably this rapid growth of debt and expenditure led to extensive changes in the revenue system of the commonwealth. One method, obviously, of securing the additional revenue so imperatively demanded was to develop new sources of income. Accordingly, in 1862, taxes were placed upon savings banks and fire or marine insurance companies.²⁶ The tax on savings banks was fixed at one half of one per cent upon the average amount of deposits, the property thus assessed being exempted from other taxes. The rate was soon increased to three fourths of one per cent, was then restored to the original figure, and in 1868 was again advanced to three fourths

²⁴ In the executive departments salaries had been increased, while the growth of routine business called for larger outlays. Thus the expenses of the treasurer's office advanced from \$4,083 in 1860 to \$29,018 in 1868, and those of the auditor's office increased from \$5,109 to \$13,524.

²⁵ In 1868 the recently established state constabulary was costing \$102,412.

²⁶ Ch. 224 of 1862. Upon these and later corporation taxes see Bullock, *Taxation of Corporations in Massachusetts*.

of one per cent.²⁷ The tax upon fire and marine insurance companies was levied upon the premiums collected, and was higher upon foreign companies than upon domestic.²⁸

From these new sources, particularly the tax upon savings banks, a welcome addition to the revenue was at once secured, averaging over \$500,000 per annum²⁹ from 1862 to 1867.³⁰ But more was needed, and in 1863 the legislature established a tax upon dividends paid by Massachusetts corporations to foreign stockholders.³¹ This measure was speedily declared unconstitutional, and the

²⁷ Chs. 144 of 1863, 267 of 1865, and 315 of 1868. Upon this tax, see the Report of the Commissioners on Taxation, 1875, pp. 57-71.

²⁸ Domestic companies paid one per cent. upon all premiums collected; companies chartered in other states paid two per cent. on premiums collected in Massachusetts; those chartered in foreign countries paid four per cent. on premiums collected in Massachusetts. Various exemptions and reductions were granted by later acts.

²⁹ For significant years the receipts were as follows (in thousands of dollars):

<i>Year.</i>	<i>Savings banks.</i>	<i>Insurance companies.</i>	<i>Total.</i>
1862.....	228.7	111.0	339.7
1864.....	452.4	128.3	580.7
1867.....	361.9	201.5	563.4

The reduced yield of the savings-bank tax in 1867 reflects the reduction of the rate.

³⁰ Prior to 1862 deposits in savings banks had been taxable locally, to the individual depositors, as money at interest; in practice, they escaped to a very large extent. In 1861 the savings banks held \$44,785,000 of deposits, and the local assessors found and taxed but \$9,655,000. At the average rate of taxation for 1861, the receipts would have been \$84,972. A comparison of this figure with the data given above shows the superior efficiency of the new law. See Report of Commissioners on Taxation, 1875, pp. 58-59. Some of the towns objected to losing the taxes formerly assessed locally upon savings deposits, but the legislature refused to give up the new source of state revenue. House Doc. 184 of 1863.

³¹ Ch. 236 of 1863.

money collected under it was ultimately refunded.³² It was replaced in 1864 by the present tax³³ upon the franchises of domestic corporations.

Recast in 1865,³⁴ the general corporation tax soon demonstrated its worth. Leaving real estate and machinery to be taxed by the local assessors, as formerly,³⁵ the new law provided for a franchise tax upon what has come to be known as the "corporate excess". A tax commissioner was appointed, to assess annually the true value of the capital stock of domestic corporations and to levy a tax, representing the average rate of taxation on property in the commonwealth, upon so much of the ascertained valuation as exceeds the value of the real estate and machinery locally taxed. Suitable deductions were allowed for railroad and telegraph mileage operated in other states, as well as for real estate and machinery located outside of the commonwealth. The proceeds of the tax were to be divided between the towns and the state, the former receiving the amounts paid in respect of shares owned by their inhabitants, the latter retaining the sums paid in respect of shares owned by non-residents.³⁶

³² 11 Allen, 268. Only \$54,966 had been collected. See treasurer's report, 1866, p. 13.

³³ Ch. 208 of 1864.

³⁴ Ch. 283 of 1865.

³⁵ In 1832 it was enacted that real estate and machinery should be taxed where situated; and holders of shares of corporation stock were allowed, in the assessment of these shares, a deduction for the real estate and machinery locally taxed. Chs. 158 of 1832; General Statutes, ch. 11, sec. 12. The shares were taxable to the owner at his residence, and various laws passed between 1843 and 1859 (summarized in General Statutes, ch. 68, secs. 20 and 21) endeavored to compel corporations to report to the assessors of each town the names and holdings of stockholders. Ch. 119 of 1863 had extended this requirement. But these laws, of course, were largely ineffectual and the shares of corporations escaped taxation. See House Doc. 389 of 1869 and Report of Commissioners on Taxation, 1875, pp. 122-123.

³⁶ For coal and mining companies the tax was assessed in a dif-

And, finally, the shares of domestic corporations, thus taxed at their true value, were exempted from further taxation.

The constitutionality of this measure was soon assailed, but the law was upheld by the state and federal courts.³⁷ For two or three years novel and difficult questions of interpretation or administration arose,³⁸ but these were gradually adjusted. In 1867 the state received \$376,100 from corporations on the general list³⁹ and \$31,300 from coal and mining companies. This revenue was the more needed because the old bank tax, the mainstay of the ante-bellum finances, ceased to yield anything after the state banks reorganized under federal charters.⁴⁰ In fact the loss of this resource offset in considerable measure the acquisition of the insurance, savings-bank, and general corporation taxes. This is clearly shown by statistics of the total receipts from corporations in 1861 and 1867: ferent manner, and the proceeds, never large, were retained by the state.

³⁷ 12 Allen, 298; 6 Wallace, 632.

³⁸ See treasurer's reports, 1866, pp. 12-13, 1868, p. 18; governor's message, Jan., 1867.

³⁹ These figures show the receipts into the treasury above the money distributed among the towns. The taxes assessed on companies on the general list from 1865 to 1867 were as follows (in thousands of dollars):

<i>Year.</i>	<i>Total assessment.</i>	<i>Due to towns.</i>	<i>Due to state.</i>
1865.....	1,421.3	1,060.2	361.1
1866.....	1,305.3	990.9	314.4
1867.....	1,419.3	1,160.2	259.1

In 1864 the total assessment was \$1,719,020, of which \$1,106,979 was due to the towns. See House Doc. 126 of 1865, p. 5. This amount was larger than the yield from 1865 to 1867 because various state banks were taxed in 1864.

⁴⁰ The yield of the bank tax at this time was (in thousands of dollars):

1861.....	660.4	1864.....	630.7
1862.....	654.0	1865.....	284.9
1863.....	646.7	1866.....	6.8

(In thousands of dollars.)

	1861.	1867.
Bank tax	660.4	13.7
Savings-bank tax .....	....	361.9
Insurance taxes	3.7	201.5
Corporation tax .....	....	376.1
Coal and mining companies.....	....	31.3
	<hr/>	<hr/>
Total	664.1	984.5

But even if the bank tax had retained its former productivity, the new sources of revenue could not have prevented an unprecedented increase of the state tax. An inheritance tax and a new auction duty were suggested by the auditor in 1862;⁴¹ yet these expedients, even if they had been adopted, would not have gone far toward meeting the needs of the hour. In 1861 the legislature hesitated, not fully comprehending, perhaps, the seriousness of the financial problems before it.⁴² The state tax for that year was fixed at \$300,372, about the same as the three preceding levies; a loan was negotiated in order to take up the floating debt caused by previous deficits; and a larger loan for war purposes was authorized. But in 1862 the needs of the situation were clearer, and the state tax was raised to \$1,797,516.⁴³ From that time onward heroic measures were unfalteringly applied. In 1865 the state tax called for \$4,700,000, and two years later it advanced to \$5,000,000—the largest figures on record.⁴⁴ In 1861 the tax represented a per capita assessment of but

⁴¹ Report for 1861, pp. 12-13.

⁴² This is not surprising, since in matters of finance the federal government followed a temporizing policy until 1862.

⁴³ Statistics of the state tax may be found in the tables at the end of this essay. A similar table may be found in the auditor's report for 1905, appendix, p. III.

⁴⁴ In 1863 the state tax was \$2,396,568, and an additional "reimbursement tax" of \$3,324,300 raised the total above five millions. But the reimbursement tax was to reimburse towns for money they had already spent for bounties and had the effect merely of readjusting past burdens. It did not really constitute an additional tax.

\$0.25; the levy for 1865 was equivalent to a per capita charge of \$3.71.

The significance of these figures will be better understood if we refer to the statistics, collected annually since 1861, of the total taxes assessed upon polls and property in the state.⁴⁵ The following table shows the taxes, state, county, and local, assessed upon polls and property; the state tax for each year; and the balance raised for county and local purposes:

(In thousands of dollars.)			
<i>Year.</i>	<i>Total taxes.</i>	<i>State tax.</i>	<i>Local taxes.</i>
1861.....	7,600.5	300.4	7,300.1
1862.....	8,605.5	1,797.5	6,808.0
1863.....	10,599.1	2,396.6	8,202.5
1864.....	12,876.9	2,396.5	10,480.4
1865.....	16,800.3	4,700.0	12,100.3
1866.....	15,694.0	3,000.0	12,694.0
1867.....	19,104.1	5,000.0	14,104.1

It will be observed that in 1861 the state tax was an insignificant addition to the total amounts collected for town and county purposes, and that thereafter it constituted from twenty to twenty-five per cent. of the aggregate assessments. Our table shows also that a very rapid increase of local taxation occurred after 1862, the figures for 1867 being nearly double those for 1861. Of the causes of this remarkable development something will be said in another place.

Upon January 1, 1868, at the close of this period of war financiering, the direct debt of the commonwealth was \$21,605,700, as previously stated; while the contingent debt, representing money loaned to railroads, stood at \$5,030,500.⁴⁶ For the latter, the state was secured by

⁴⁵ Aggregates of Polls, Property, and Taxes, Compiled in the Office of the Secretary of the Commonwealth. In 1861, as to-day, the towns had no important resource except the poll and property taxes.

⁴⁶ This excludes the old Troy and Greenfield debt, included in our

railroad bonds held in the treasury; while the roads, besides meeting the interest, had been contributing to sinking funds which were certain to redeem the debt at its maturity. Against the direct debt, sinking funds amounting to \$5,493,900 had been accumulated, chiefly out of other sources than taxation;⁴⁷ so that the net indebtedness was \$16,111,800. In addition to the sinking funds the commonwealth possessed in its Back Bay lands an important asset, estimated at approximately two millions;⁴⁸ while the South Boston flats constituted a further resource of unknown value. Although injured by the disturbances attending the Civil War and by the accumulation of floating debt in 1865, the credit of the state was recovering from the shock;⁴⁹ and the five-per-cent bonds of Massachusetts were selling in London at from 86 to 88, while United States fives were quoted at twenty points less.⁵⁰

earlier statements of the contingent debt but excluded here because the state was now directly responsible for it.

⁴⁷ Thus \$2,555,000 of reimbursement money received from the United States had gone into a sinking fund. Then chs. 313 of 1864 and 122 of 1865 turned over to the sinking funds the net receipts from Back Bay lands. Dividends from the state's Western Railroad stock were pledged for the same purpose. From taxation the treasurer's reports show that \$898,000 was applied to sinking fund purposes between 1863 and 1867 inclusive. In addition to this, \$1,174,000 of sinking funds, consisting chiefly of Western Railroad stock, were on hand at the opening of 1861.

⁴⁸ Up to 1866 the net profits from the Back Bay enterprise had been \$1,212,652. Auditor's report, 1865, p. 12.

⁴⁹ Prior to the Civil War the scrip of the state had usually borne five per cent. interest, although, when conditions were unfavorable, six per cent. was sometimes paid, as with the loan issued in 1856 to fund the floating debt. Ch. 235 of 1856. The war loans were issued at nominal rates of five or six per cent.; but for short-time loans at one juncture as much as 7.3 per cent. was paid. By January, 1868, the six-per-cent. bonds were commanding a premium.

⁵⁰ Treasurer's report for 1867, p. 19.

CHAPTER VI.

RAILROAD PROJECTS: ENFORCED RETRENCHMENT. 1868-1880)

The most striking fact in the financial history of the next thirteen years was the state's connection with the Hoosac Tunnel and the Boston, Hartford, and Erie enterprises. To the former project Massachusetts had committed itself before the Civil War by successive advances to the Troy and Greenfield Railroad, for which scrip to the amount of \$924,900 was issued up to 1861, when the company suspended operations. In 1863 the commonwealth appointed a commission to take over the enterprise. Work continued with little satisfaction to any one except the interested parties until 1868, when a contract was concluded for the completion of the enterprise for the sum of \$4,594,000.¹ It was then estimated that the tunnel, with forty-four miles of railroad, would cost, when completed, \$9,262,000; but this calculation omitted interest upon the scrip issued in order to finance the enterprise, and, like all other official estimates, was absurdly low, at that.² The contractors surrendered their contract in 1874, after receiving practically full payment, without having finished the work; and the state was obliged, as

¹ The state documents of the period, particularly the reports of the commissioners, give full details. The essential facts are given in Tenth Census, VII, pp. 533-536.

² The estimate may be found in Governor Bullock's valedictory address. Acts and Resolves, 1869. The absurdity of the estimate was well shown by Mr. F. W. Bird, one of the chief opponents of the enterprise, in his pamphlet entitled "The Hoosac Tunnel Contract".

Mr. Bird had predicted, to spend large additional sums in order to bring the undertaking to completion. In 1876 the tunnel was opened for operation, and at the end of that year represented an outlay of \$14,035,000 for construction and \$3,287,000 for interest upon loans, a total of \$17,322,000, of which \$13,769,900 had been borrowed.³

The commonwealth now found itself with a white elephant upon its hands. Although nominally completed, both the tunnel and the railroad required large additional expenditures in order to enable them to compete for traffic, and there was no prospect that the state would ever recover the principal, to say nothing of the interest, of its investment.⁴ Accordingly it was discovered that the original purpose of constructing the tunnel had been nothing so sordid as to recover the money expended, but had been merely to cheapen transportation rates between Boston and the West. Under arrangements effected for the operation of the road by connecting lines, upon payment of tolls, the net receipts above the cost of maintenance were small;⁵ while constant outlay was needed for improvements, and some seven hundred thousand dollars was paid annually for interest upon the loans contracted in prosecution of the enterprise. Each year, therefore, the balance upon the wrong side of the ledger grew by the excess of the interest charges over the income from the property. From 1880 to 1887 the entire income and a considerable additional sum was spent in double tracking and straightening the road.⁶ By 1888 the total cost, in-

³ Auditor's report, 1876, p. 16. It is interesting to observe that this confirms Mr. Bird's prediction, made in 1869, that the enterprise would cost sixteen millions or more.

⁴ See message of Governor Rice, Jan. 1877.

⁵ Statistics may be found in the governor's message of Feb. 3, 1885. In 1877, when the net earnings were highest, they amounted to \$97,900.

⁶ Governor's message, Jan., 1887.

cluding interest upon loans, had risen to \$26,357,426.⁷

Although falling in a later period, the conclusion of the story can best be narrated here. In 1887 the Troy and Greenfield Railroad, including the Hoosac Tunnel, was consolidated with the Fitchburg Railroad, under an agreement⁸ by which Massachusetts received \$5,000,000 of Fitchburg bonds bearing 3 per cent. interest for five years, $3\frac{1}{2}$ for the next five years, and thereafter 4 per cent., as well as \$5,000,000 of common stock of a value purely conjectural. Thus in return for an outlay of over twenty-six millions, of which over fourteen millions represented a debt entailing an interest charge of \$707,000 annually, the state was to receive an income of \$150,000 from its Fitchburg bonds, which would increase after ten years to \$200,000. The five millions of common stock paid no dividends, and could not have been sold at that time for \$1,000,000. Thus was fulfilled the prophecy of Mr. Bird that the tunnel, with the forty-four miles of road connected with it, would never be worth more than "the average cost of fifty miles of railroad forming part of a line with a traffic similar to this and occupying a similar place in the line."⁹

From 1887 until the Troy and Greenfield debt was extinguished in 1895, the state continued to disburse in interest some hundreds of thousands more than it received. In 1900 advantage was taken of the desire of the Boston and Maine Railroad to lease the Fitchburg line, to exchange the \$5,000,000 of Fitchburg stock for Boston and Maine bonds bearing three per cent interest.¹⁰ This enabled the auditor finally to close the account of the

⁷ Auditor's report, 1887, p. 8.

⁸ House Doc. 57 of 1887.

⁹ The Hoosac Tunnel Contract, 37.

¹⁰ Governor's message, Jan., 1901.

commonwealth with the Hoosac Tunnel enterprise.¹¹ The aggregate outlay, including interest upon loans, had been \$28,856,420. The gross returns had been \$11,825,000, this sum representing \$10,000,000 of bonds and \$1,825,000 of interest received thereon. The total loss, therefore, was \$17,031,420, as government book-keeping goes. In a private enterprise, of course, interest would have been computed upon all the sums advanced from the treasury, and the balance against the state would have been correspondingly increased.

The story of the Boston, Hartford, and Erie loan is even less satisfactory. The Hoosac Tunnel line brought lasting benefits to a large section of the state; what was gained by the Erie venture would be hard to conjecture. In 1867 and 1868 loans were authorized to aid in the construction of the Boston, Hartford, and Erie Railroad, which was to supply Boston with another outlet to the West. By the middle of 1869 not less than \$3,599,000 had been advanced, apparently under conditions which reflected no credit upon the business sagacity of the representatives of the state.¹² It later developed that the promoters of the road, which soon became hopelessly bankrupt, had used at least a portion of the commonwealth's money in rigging the stockmarket for their own benefit. Receiving no interest upon the Erie bonds taken as security for the loan, the state was obliged to pay interest upon the amount it had borrowed, so that an annual charge of \$180,000, exclusive of the gold premium, was fastened upon the treasury for thirty years. Together, the Hoosac Tunnel and the Erie projects added

¹¹ Auditor's report, 1900, pp. 592-3.

¹² The essential facts upon which these paragraphs are based may be found in House Doc. 333 of 1878, pp. 11-14, and the governor's message of Jan., 1886.

\$17,700,000 to the debt of the commonwealth and \$888,000 to the interest charges.

In 1874 the bonds held to secure the loan were exchanged for stock of the New York and New England Railroad, formed to take over the bankrupt Erie company. In 1879 the state treasurer sold \$125,000 of the stock for \$43,956, but sales were then discontinued. Three years later the balance of the stock was exchanged, at fifty per cent. of its par value, for second-mortgage bonds of the New England road bearing six per cent interest. In 1884, however, the company went into the hands of a receiver and defaulted in interest payments; so that the next year the state was content to sell its New England bonds at ninety per cent of their par value.¹³ Up to January 1, 1886, in addition to the original loan of \$3,599,000, Massachusetts had paid interest amounting to \$2,814,862; the total advances then standing at \$6,413,862, for which it had received \$1,701,750.¹⁴ Fortunately the law authorizing the original loan had provided that a certain proportion of the money borrowed should be reserved by the state for a sinking fund, so that \$626,400 was thus saved from the clutches of the Erie "ring" and invested in good securities. This sinking fund, improved at interest and increased by the \$1,701,750 realized from the sale of the New England securities, had by 1890 equaled the amount of the original loan. Thereafter the annual income of the sinking fund, amounting to \$166,000, can be considered an offset to the \$180,000 of interest paid by the state.¹⁵ In 1900, when the Erie loan matured, the total outlay of the state had reached the figure of \$7,538,000, while the amount received for the commonwealth's investment and

¹³ Auditor's report, 1885, p. 377.

¹⁴ This includes the \$43,950 received by the sale of stock in 1879 and the \$1,657,800 received in 1885.

¹⁵ Treasurer's report, 1890, p. 8.

the accumulation of the sinking fund amounted to \$3,689,000, making the net loss \$3,849,000.¹⁹ Thus the Erie and the Hoosac Tunnel projects had cost the state \$20,880,000.

Upon the indebtedness of the commonwealth the effect of these transactions was immediate and marked. The old contingent debt, representing the earliest loans to railroads, was entirely extinguished during the seventies by the contributions which the companies made to the sinking funds. The direct debt, however, advanced from \$21,605,700 upon January 1, 1868, to \$33,034,600 upon January 1, 1881. The facts are shown in the following table:

(In thousands of dollars.)

On Jan. 1	Floating debt.	Old funded debt.	Funded war debt.	For new public institutions and works.	Total, exclusive of rail- road debt.	Hoosac tunnel and Erie debt.	Grand Total.
1868....	930.9	1,340.0	17,614.1	.....	19,885.0	1,720.7	21,605.7
1880....	14.3	221.0	10,468.1	4,592.3	15,295.7	17,738.9	33,034.6

It is manifest that while the debt incurred for other purposes had declined some \$4,589,300, the growth of the railroad debt by \$16,018,200 had caused a net increase of \$11,428,900.

Except for the railroad loans the showing would have been a fairly creditable one. Floating debt had accumulated to some extent in 1869, chiefly on account of advances to the Hoosac Tunnel enterprise. It is possible also that, under a law authorizing the funding of certain war debts, a small amount of scrip was issued for current expenditures.¹⁷ But with that exception there had been, apart from the railroad projects, no contracting of new

¹⁶ Auditor's report, 1890, p. 421. The results up to 1900 were computed by the auditor at that time.

¹⁷ See House Docs. 248 and 306 of 1870.

debts except the \$4,592,000 borrowed for public works and institutions, an object for which the use of the state's credit was legitimate enough.¹⁸ By 1872 the floating debt had virtually disappeared; by 1875 the old funded debt, inherited from ante-bellum days, had been reduced to \$273,000; while the war debt was in process of extinction. Moreover, upon January 1, 1880, the various sinking funds amounted to \$12,235,200, so that the net indebtedness was but \$20,799,400.

It should be observed, further, that the payment of maturing loans and the growth of sinking funds had thus far been accomplished without much aid from the tax revenue. The Back Bay lands were selling rapidly, and by 1880, with a considerable amount of land still unsold, had yielded a clear surplus of \$2,669,600.¹⁹ Something had been received, too, from the South Boston flats;²⁰ but the development of that region had proceeded slowly, and in 1878 the income from future sales was diverted from the sinking funds, where it was not urgently needed, and set apart for carrying on the enterprise.²¹ From taxes, the treasurer's report show that, in 1868 and 1869, \$390,200 was turned into the sinking funds; and that, in

¹⁸ Comparatively little money had been spent upon erecting or enlarging the state's prisons, hospitals, and almshouses since before the Civil War; and none had been borrowed for that purpose.

¹⁹ Up to Jan. 1, 1880, the sales had been \$4,309,922, and the expenses \$1,640,300. Of the net profits of \$2,669,621, about \$1,457,000 had been received since 1866. Report of Harbor and Land Commission, 1879, p. 9.

²⁰ Up to Jan. 1, 1878 the expenditures had been \$1,110,923, and the receipts \$336,500. Of the receipts \$330,000 had been placed in the Troy and Greenfield sinking fund. Report of Land Commissioners, 1878, pp. 8-10; 1879, p. 7. After 1878 the sales increased, but no longer went into the sinking funds.

²¹ Ch. 237 of 1878. This was the origin of the Commonwealth Flats Improvement Fund, through which the receipts and expenditures upon the enterprise have since then been handled.

1875 and 1877, \$261,000 more was similarly applied.²² Invested in good securities, which at this period yielded six per cent interest, the growth of the funds was naturally rapid. Finally²³ no small sums were received from premiums upon newly issued loans. In 1875 five-per-cent bonds aggregating \$5,090,000 were sold at an average price of 110.5; and on the issues of 1876 the premium rose to 13.25 per cent.²⁴ Thanks to the policy of meeting its obligations in coin, the state could now place its loans at an actual interest of 4.4 per cent.

During this period of brilliant projects the ordinary state expenditures remained nearly stationary, and then, after 1875, materially declined.²⁵ Municipal expenditures, however, continued to advance at even a more rapid rate than prior to 1868. A sinister feature of the situation was the unprecedented growth of local debts, which rose from \$39,421,000 in 1871 to \$72,165,000 in 1878.²⁶ Coincidentally, although the state tax steadily decreased, the total taxes levied upon polls and property in the commonwealth advanced from \$19,104,000 in 1867 to \$28,681,200 in 1874.²⁷ Since 1861 the average rate of taxation upon property throughout the state had jumped from \$8.29 to \$15.18 per thousand,²⁸ and that, too, upon

²² I cannot be sure that this statement of the tax revenue applied to sinking funds as absolutely complete; but feel certain that no large sums have been overlooked.

²³ On a previous page I have described the origin and growth of the Boston, Hartford, and Erie sinking fund.

²⁴ Reports of treasurer for 1875 and 1876. Selling five-per-cent. loans at a premium and investing the premium in sinking fund securities yielding six per cent. was a unique financial transaction.

²⁵ A table in the auditor's report for 1879, p. IX, shows the general results. This is compiled, however, upon a somewhat different basis from that which the writer has adopted, and is not reproduced here.

²⁶ Report of Tax Commissioner, 1905, p. 16.

²⁷ Aggregates of Polls, Property, and Taxes.

²⁸ From the Aggregate of Polls, Property, and Taxes, the following average tax rates may be computed for significant years:

an assessed valuation which had risen from \$861,485,400 to \$1,830,451,300. These conditions were not confined to Massachusetts, since in many parts of the country there had been a rapid increase of local debts and taxation.²⁹ The growth of urban centers had necessitated better provision for public services, the extravagance of the war period had made its influence felt in town and city affairs, and, unfortunately, there had been a startling amount of municipal corruption.

So long as business remained brisk, the growth of public charges did not arouse lively protest in Massachusetts, but after the panic of 1873 the heavy debts and high taxes were felt to be an intolerable burden. The newspapers voiced frequent protests against the prevailing extravagance, and at last the legislature was impelled to action. In 1875 an act was passed³⁰ limiting the net indebtedness of municipalities to three per cent. of the assessed value of property; and four years later the first step was taken toward securing a reasonable control of the

1861.....	\$8.29	1874.....	\$15.18
1865.....	\$16.32	1875.....	\$14.58
1870.....	\$14.93	1879.....	\$13.23

These figures differ slightly from those computed by the Commissioners on Taxation, in 1875. See p. 551 of their report. Apparently they included the poll tax in the aggregate of taxes from which they computed the rate of taxation upon property. Our figures, moreover, are not quite the same as those used by the tax commissioner in computing the tax to be assessed upon corporations. The reasons for this have been explained in the reports of the tax commissioner. See report of 1905, p. 20. The valuations used by the tax commissioner are those of the preceding year.

²⁹ From 1870 to 1880 the federal census records an increase of municipal and other local debts, excluding debts of counties, from \$328,244,000 to \$724,427,000. County debts declined from \$187,565,000 to \$124,105,000. These figures show the net indebtedness.

³⁰ Ch. 209 of 1875. Ten years later laws were enacted limiting local tax rates. Chs. 178 and 312 of 1885. See Harris, *Municipal Extravagance*, and Williams, *Legislation limiting Taxation*.

finances of the various counties.³¹ The law regulating municipal borrowing speedily checked the growth of local debts, which declined from \$72,165,000 in 1876 to \$62,-782,000 in 1882; while the general demand for retrenchment reduced the aggregate taxes falling upon polls and property from \$28,681,200 to \$21,012,800 between 1874 and 1879.

Although the ordinary state budget had not increased since 1867, the advocates of economy soon turned their guns upon the financial affairs of the commonwealth. The state tax had been reduced to less than two millions, and it was conceded that local extravagance had been chiefly responsible for the increased pressure of taxation;³² but it was contended that the commonwealth was spending too much money, and could do something to lighten the taxpayer's burdens. From 1875 to 1878 the ordinary outlay was reduced by about \$1,000,000,³³ yet this did not satisfy the demand for retrenchment. By a comparison of the expenditures in 1860 with those for 1877, Mr. F. W. Bird computed that the outlay had advanced from \$1,093,000 to \$4,571,000,³⁴ an increase which was readily shown to be out of all proportion to the growth of wealth and population. An examination of the expenses of various branches of the government enabled Mr. Bird to expose extravagance in certain directions,³⁵ and he argued

³¹ Ch. 293 of 1879. Supplemented by chs. 161 of 1880 and 438 of 1887. See Whitten, *Public Administration in Massachusetts*, 148 *et seq.* In 1874 there had been an investigation of county accounts. House Doc. 493 of 1874.

³² See messages of governors from 1875 to 1879, especially the message of 1879.

³³ The figures of the auditor's report for 1878, p. IX., show expenditures of \$5,177,500 in 1875 and \$4,110,100 in 1878.

³⁴ *Retrenchment and Reform in State Expenditures.*

³⁵ He showed clearly that there was waste in public printing and in expenditures of certain state institutions. His criticism of the size and contents of the annual reports of the board of agriculture may

that salaries ought to be reduced to about the level prevailing before the Civil War. At the opening of 1879 Governor Talbot urged vigorously a general reduction of salaries, which was finally carried into effect.⁸⁶

As a result of five years of retrenchment, the ordinary expenditures for 1880 reached the lowest figures ever known after the Civil War. The growth of treasury transactions had by this time greatly complicated the accounts, and it is not easy to make accurate comparisons with other years; but the following table⁸⁷ is believed to

(In thousands of dollars.)			
	1868.	1880.	
Legislative	277.5	180.9	
Executive	132.5	88.1	
Judicial	176.5	173.9	
Public Printing	68.3	66.4	
State House	42.3	38.2	
	<hr/>	<hr/>	
	697.1	547.5	
Boards and Commissions.....	28.3	76.1	
Agriculture and Agric. College....	85.1	22.5	
Educational and State Library....	45.7	90.5	
Charitable	480.8	409.5	
Penal and correctional.....	357.5	337.0	
Militia	322.9	245.2	
Civil War expenditures.....	932.0	407.1	
Public buildings	247.4	52.4	
Miscellaneous	47.7	35.5	
	<hr/>	<hr/>	
	2,547.4	1,675.8	
Interest	1,720.1	1,684.6	
Sinking funds	195.0	.....
	<hr/>	<hr/>	
	1,915.1	1,684.6	
	<hr/>	<hr/>	
Total	5,159.6	3,907.9	

still be read with profit. Upon the validity of other criticisms it is hard at this day to form an opinion.

⁸⁶ Acts and Resolves, 1879, index, "Salaries", for a large number of acts.

present a correct statement of the expenditures for 1868 and 1880:

The principal reduction had been effected in the outlay for state aid, which constituted nearly the whole of the so-called Civil War expenditures. Much less was spent upon public buildings, but the outlay for 1868 on this account had been unusually large. Interest charges had slightly declined, thanks to a reduction in the rate and to the disappearance of the premium upon gold, although the principal of the debt had considerably increased. Sinking-fund requirements for 1880 were met without recourse to the ordinary revenue. The aggregate outlay per capita had declined very greatly, from \$3.74 in 1868 to \$2.19 in 1880.

Clearly the conditions had not been such as to bring any strain upon the revenues of the state, yet material changes had been made in the system of taxation. The first concerned national banks.

The loss of the old tax upon state banks had been seriously felt; and when Congress authorized state taxation of national' bank shares at a rate not greater than that imposed upon other monied capital,³⁸ Massachusetts

³⁷ In the basis of computation this table is like those published since 1902 in the auditor's reports. In preparing it, I have been fortunate enough to have the advice of the present auditor, Mr. Henry E. Turner, who is responsible for the serviceable tables now published in the annual reports, and of his chief clerk, Mr. William D. Hawley, who has served in the auditor's department for forty years. These gentlemen, however, are responsible for no errors of detail that may have crept into my work, nor for any conclusions that may be drawn from it. The chief object in preparing the table was to exclude nominal expenditures, as for corporation taxes turned over to the various towns, operating expenses of public industries defrayed out of industrial income, and some other items excluded from the tables now prepared by the auditor because they are no real charge upon the treasury.

³⁸ 13 Stat. at Large, 112.

passed a law³⁹ making such shares taxable to the owners at their places of residence, like other personal property. Assessors were required to ascertain the stockholders in all banks located in their respective towns and cities, and to interchange the information thus obtained, to the end that no one should escape. This act proved largely ineffective, however, on account of the negligence of assessors or evasion by such expedients as giving false addresses.⁴⁰ It made no provision, furthermore, for shares owned by residents of other states. Accordingly in 1868 an act was passed for the taxation of non-resident stockholders.⁴¹ Bank shares belonging to persons not residing in Massachusetts were to be taxed, at the local rate of taxation, by the towns in which the banks were situated, and the proceeds were to be turned over to the state treasurer. Savings banks and stock insurance companies chartered in Massachusetts, since they were already subject to special taxes, were granted at this time exemption from taxation upon national-bank shares owned by them. Under the law of 1868 the state treasury received \$30,667 in 1868, \$197,489 in 1869, and \$181,798 in 1870 from the tax upon shares held by non-residents.

As a matter of course the constitutionality of the laws of 1865 and 1868 was assailed, but the enactments were sustained by the courts.⁴² Nevertheless,⁴³ this method of dealing with national banks was unequal and unsatisfac-

³⁹ Ch. 242 of 1865.

⁴⁰ An account of the working of this law as well as of the others enacted up to 1873 may be found in the Report of the Commissioners on Taxation, 1875, pp. 129 *et seq.*

⁴¹ Ch. 349 of 1868. Congress meanwhile had passed an act authorizing such taxation.

⁴² 14 Allen, 359; 99 Mass., 141; 101 Mass., 575.

⁴³ A new law passed by Congress, however, and additional decisions of the federal courts would have raised further constitutional questions, if the law had not been changed. See 15 Stat. at Large, 34; 3 Wallace, 573; 4 Wallace, 459; 9 Wallace, 353 and 468.

tory. A large amount of bank stock escaped taxation; and shares in the same institution, when unearthed by the assessors, were taxed at widely varying rates if the owners happened to live in different towns or cities. In 1871, therefore, the whole system was remodelled, the acts of 1865 and 1868 being repealed. By the new law⁴⁴ the present method of taxing national banks⁴⁵ was introduced. Thereafter the shares were taxed, at the places where the institutions were located, upon their fair cash value after deducting the value of the real estate owned by the banks. The tax was levied at the local rate, thus securing equality among stockholders in the same institution, and the shares were no longer taxable to the owners at their places of residence. The sums collected upon shares belonging to residents of Massachusetts were to fall to the towns where such stockholders resided, and the commonwealth was to receive the amounts paid upon shares owned by residents of other states.⁴⁶ By subsequent improvements in administration the banks came to assume the payment of the tax upon their entire capital, and evasion became a thing of the past.

Although the act of 1871 materially increased both state and local revenues, a vigorous opposition was aroused against it; and the following year a new law was passed⁴⁷ by which the state virtually went back to the system in operation from 1868 to 1870. This retrograde measure caused an immediate loss of revenue and even more complaint than the previous law; so that in 1873 the state readopted, with slight changes, the system introduced in

⁴⁴ Ch. 390 of 1871.

⁴⁵ The law applies to state banks, but no such institutions are in existence in Massachusetts.

⁴⁶ The act of 1871 allowed savings banks to deduct any tax paid on bank shares from the tax paid upon savings deposits. In 1873 a similar allowance was made to stock insurance companies.

⁴⁷ Ch. 321 of 1872.

1871.⁴⁸ The results were immediately beneficial, and a final solution of a perplexing problem had been reached.⁴⁹ Under these various acts the state treasury, from 1870 to 1875, received the following sums :

(In thousands of dollars.)			
1870.....	181.8	1873.....	237.5
1871.....	337.8	1874.....	219.3
1872.....	125.7	1875.....	182.4

This represented, of course, merely the tax payable upon shares owned by non-residents; and the towns and cities, from shares owned by residents, received five or six times as much as the commonwealth.

The tax upon savings-bank deposits occasioned constant discussion during the entire period. Many persons contended⁵⁰ that it was unjust to allow this property to escape with a tax of three fourths of one per cent. while other property in the commonwealth paid, upon an average, nearly double that rate. Upon the other hand, it was stoutly maintained that inasmuch as the deposits were taxed at their full value, and without the possibility of evasion, the tax was virtually as high as that imposed upon property valued by local assessors.⁵¹ In fact, in the latter part of the seventies repeated proposals were made to reduce the rate to one half of one per cent. With no

⁴⁸ Ch. 315 of 1873.

⁴⁹ Upon the working of the laws of 1871, 1872, and 1873 see, beside the Report of the Commissioners of 1875, the reports of the tax commissioner for 1872, pp. 9-10; 1873, p. 11; 1874, p. 11; 1875, p. 11. In 1885 a number of banks combined to make another test of the legality of the law, but accomplished nothing. See governor's message, Jan., 1886.

⁵⁰ Governor's message, Jan., 1871. It was said, further, that the banks were used by well-to-do persons in order to escape taxation. See Report of Commissioners of 1875, pp. 62-64.

⁵¹ See report of bank commissioners, 1873, pp. 6-7; Report of Commissioners on Taxation, 1875, pp. 427-430.

important changes in the law prior to 1881, the yield of the tax steadily advanced from \$570,100 in 1868 to \$1,616,400 in 1880.

The laws relating to fire and marine insurance companies were subject to repeated modifications,⁵² and the revenue derived from them fluctuated considerably. The most important change was made in 1872⁵³ when domestic stock companies, which were, of course, required to pay the general corporation tax, were exempted from the special insurance tax. As yet, life insurance companies had not been subjected to special taxation, except for the old retaliatory tax upon foreign companies chartered in states that levied upon Massachusetts companies. In 1870 the auditor urged that there was no sound reason for making this discrimination between fire and life insurance,⁵⁴ and discussion of the subject continued until in 1880 a law was enacted⁵⁵ requiring life insurance companies to pay an annual excise tax of one half of one per cent. upon the net valuation of all policies held by residents of Massachusetts. With frequent fluctuations, the aggregate revenue from insurance taxes advanced from \$163,300 in 1868 to \$222,100 in 1880.⁵⁶

The general corporation tax had required practically no modification,⁵⁷ but a highly interesting development had occurred in its practical operation. Since the tax was laid only upon the excess of the value of the capital

⁵² Chs. 283 of 1865, sec. 18; 325 of 1872, sec. 8; 141 of 1873, sec. 3.

⁵³ Ch. 245 of 1872.

⁵⁴ Report, 1869, pp. 14-15. For the opposing view see Report of Commissioners of 1875, pp. 457-468.

⁵⁵ Ch. 227 of 1880.

⁵⁶ The fees and charges levied to defray the cost of supervising insurance companies are omitted from all these figures.

⁵⁷ Ch. 274 of 1879 authorized the incorporation of companies to construct or operate railroads in foreign countries, and imposed upon such concerns a special tax of one-half of one per cent. of the value of the stock.

stock above the local valuation of real estate and machinery, it followed that, the higher the valuation which local assessors placed upon the real estate and machinery, the smaller the corporate excess would be. Since the whole of the tax locally levied upon real estate and machinery accrued to the towns collecting it, while the tax assessed by the tax commissioner was distributed according to the residence of the stockholders, it followed further that local officials had everything to gain by making the assessed valuation of the real estate and machinery as high as possible. The act of 1865 had sought to control the local assessors in this matter;⁵⁸ but it did not accomplish its purpose, as will be seen from the following table:

(In millions of dollars.)			
<i>Year.</i>	<i>Assessed value of capital stock.</i>	<i>Assessed value of real estate and machinery.</i>	<i>Taxable corporate excess.</i>
1865.....	146.8	70.2	79.9
1870.....	199.0	106.9	92.1
1872.....	239.5	134.8	104.8
1875.....	239.8	170.2	84.2
1880.....	251.6	160.7	105.9

It will be observed that from 1865 to 1870 the proportion which real estate and machinery bore to the total assessed value of the capital stock of corporations subject to the tax advanced from 48 to 54 per cent. Then during the next two years it rose to 56 per cent; and then, by 1875, jumped to 71 per cent. It might be expected that, in time of such depression as prevailed after 1873, local assessors would reduce the assessment of real estate less than the tax commissioner would be compelled to reduce the valuation of the capital stock; but that the real estate and machinery could actually increase by nearly thirty-

⁵⁸ Ch. 283 of 1865, sec. 6. This section was subsequently modified by chs. 127 of 1890, sec. 7, and 417 of 1898.

six millions at a time when the total valuation of the capital stock had declined, or tended to remain stationary, is too preposterous to be admitted for a moment. The only explanation is that the local assessors had taken advantage of the law, to the great detriment of the revenue drawn from the tax upon the corporate excess. This tendency was partially recognized by the Commissioners on Taxation in 1875.⁵⁹

As things were, the total taxes assessed upon corporation franchises increased gradually from \$1,211,800 in 1868 to \$1,522,100 in 1872. Then under the influence of the panic of 1873 and the grasping disposition of the local assessors, they decreased to \$1,236,300 in 1875; after which, as business conditions improved, the yield increased to \$1,626,600 in 1880. Of these amounts, from twenty to twenty-five per cent, representing taxes on shares belonging to non-residents, was retained in the state treasury.

Meanwhile, in addition to the growing revenue from corporations, another source of income had been established. From 1852 to 1875 Massachusetts had attempted to prohibit the sale of intoxicating liquors, with results that need not be considered here. The prohibition was relaxed temporarily, in 1868, in favor of a license law under which the commonwealth, receiving one half of the license charges, had derived a revenue of \$118,200. In 1875 the prohibitory law was finally repealed, and the license system was reestablished with a comparatively low scale of charges.⁶⁰ This time the state treasury was to receive but one fourth of the license taxes; and, therefore, the income realized up to 1880 was not large. In

⁵⁹ Report, p. 127.

⁶⁰ Ch. 99 of 1875. On this subject see Wines and Koren, *The Liquor Problem in its Legislative Aspects*, 181-230; Rowntree and Sherwell, *Taxation of the Liquor Trade*, I, 330, *et seq.*

1875 the tax yielded the commonwealth \$149,600; and in 1880, \$156,000.

From corporation and license taxes Massachusetts was now deriving substantial revenues which promised to increase with the growth of wealth and population. The development of these auxiliary taxes from 1867 to 1880 is shown in the following table

(In thousands of dollars.)		
	1867.	1880.
Bank tax	13.7	207.4
Savings-bank tax.....	361.9	1,616.4
Insurance taxes	201.5	222.1
Corporation tax	376.1	441.1
Minor corporation taxes ⁶¹	31.3	13.4
License tax .....	....	156.0
	<hr/>	<hr/>
Total	984.5	2,656.4

The relative importance of the income from such sources can be best shown by a second table exhibiting the aggregate tax revenue of the state in 1867 and 1880:

(In thousands of dollars.)		
	1867.	1880.
Corporation taxes	984.5	2,500.4
License tax .....	....	156.0
State tax	4,951.8	1,495.0
Miscellaneous taxes ⁶²	38.1	16.5
	<hr/>	<hr/>
Total	5,974.4	4,167.9

Stationary or declining expenditures accompanied by the growth of auxiliary taxes made it possible to reduce materially the weight of the state tax upon polls and property, which was the elastic element in the revenue

⁶¹ Coal and mining companies and foreign railroad taxes.

⁶² Tax on alien passengers (repealed in 1872) and tax on peddlers. Corporation fees and inspection charges are omitted.

system. From 1867 to 1880 the annual levies were as follows:

1867.....	\$5,000,000	1874.....	\$2,000,000
1868.....	\$2,000,000	1875.....	\$2,000,000
1869.....	\$2,500,000	1876.....	\$1,800,000
1870.....	\$2,500,000	1877.....	\$1,500,000
1871.....	\$2,500,000	1878.....	\$1,000,000
1872.....	\$2,000,000	1879.....	\$ 500,000
1873.....	\$2,250,000	1880.....	\$1,500,000

Except in two cases every step in the reduction of the state tax had been fully justified by the condition of the treasury. In 1868 the reduction proved excessive, causing a deficit of \$798,700 in the ordinary revenue,⁶³ and the following year a larger tax was necessary. Again in 1879 Governor Talbot's intense desire to lighten the weight of taxation resulted in too great a cut in the tax, which was followed by another deficit and a larger tax for 1880.⁶⁴ But with these exceptions the state had avoided anything more than casual deficits of small amounts, had incurred no debts for current expenditures, had met sinking fund requirements, and had maintained a sufficient cash balance in the treasury. The \$1,500,000 tax which was ample for all requirements in 1880 represented a per capita charge of but eighty-four cents. If existing conditions could be maintained, another five or ten years might witness the disappearance of the state tax. Indeed, if it had not been for the railroad debt, which carried an interest charge of about \$890,000 between 1876 and 1880, the tax might have been reduced to figures so low as to suggest to the advocates of retrenchment and economy the possibility of abolishing it at that time.

⁶³ Treasurer's report, 1868, p. 7.

⁶⁴ See auditor's report, 1879, p. 10; and message of Governor Long, Jan., 1881.

In the total taxes resting upon polls and property the state tax had again become an unimportant factor. For the significant years, 1867, 1874, and 1880, the figures are as follows:

(In thousands of dollars.)

<i>Year.</i>	<i>Total taxes on polls and property.</i>	<i>State tax.</i>	<i>Local taxes.</i>
1867.....	19,104.1	5,000.0	14,104.1
1874.....	28,681.2	2,000.0	26,681.2
1880.....	24,755.9	1,500.0	23,255.9

With the war debt decreasing, the growth of railroad debts arrested, and the auxiliary revenue steadily increasing, the future of the state tax presented in 1880 a question of no little interest.

Since 1861 the methods of apportioning the tax had been most radically altered. The rapid industrial changes and disturbances of values caused by the Civil War soon invalidated the apportionment of 1861, and required a new adjustment in 1865.⁶⁵ But conditions had now changed so greatly that decennial, or even quinquennial, valuations by committees of the legislature could not meet the needs of the case.⁶⁶ In 1871, therefore, the legislature turned over to the tax commissioner a function which it had exercised continuously for one hundred and seventy-seven years. The new law⁶⁷ gave this official full power to investigate local valuations and, after making neces-

⁶⁵ Sen. Doc. 107 of 1865.

⁶⁶ Not only was the relative wealth of towns and cities changing, but the total valuation was increasing at an unprecedented rate. From 1821 to 1880 the total valuation of the state was as follows:

(In millions of dollars.)

1821.....	153.6	1865.....	991.8
1831.....	208.9	1870.....	1417.1
1841.....	299.9	1875.....	1840.7
1851.....	597.9	1880.....	1584.7
1861.....	861.5		

⁶⁷ Ch. 125 of 1871.

sary corrections, to effect periodical reapportionments. Since 1881 the valuations have been made as often as once in three years,⁶⁸ and polls have been rated at one tenth of a mill each.⁶⁹ When the commissioner undertook the first apportionment he found that in some towns property was assessed at only one half or two thirds of its value, and that grave inequalities had crept into past apportionments.⁷⁰ Partly through his good offices, and partly because the state tax has become a comparatively small factor in the total levy upon the property of the commonwealth, competitive undervaluation of real estate by local assessors has now become largely a thing of the past.⁷¹ Of every \$1,000 Boston now pays \$360, but little more than the districts within the present city limits paid in 1861.

The heavy increase of the state tax during the Civil War made it necessary to modify the law relating to the taxation of polls. If one sixth of the war taxes had been levied upon polls, as the law required,⁷² and the assessments for local purposes had approximated \$1.50, as was permissible, the aggregate poll taxes would have risen to very high figures. Accordingly in 1862 a law was enacted⁷³ by which the aggregate poll tax for all purposes, *state and local*, was limited to \$2.00, with an exception in the case of highway taxes separately assessed. Even under this law, with separate assessments for highways included, the poll taxes in many towns rose to \$2.50 and

⁶⁸ Ch. 163 of 1881.

⁶⁹ Thus in the last apportionment, in 1904, the 778,900 polls in the state were rated at \$77.89 in every tax of \$1,000, and property was rated at \$922.11. House Doc. 1054 of 1904.

⁷⁰ Report of Commissioners of 1875, p. 84.

⁷¹ Report of Commission on Taxation, 1897, p. 119.

⁷² The earlier enactments were codified in the General Statutes, ch. 11, sec. 31.

⁷³ Ch. 158 of 1862.

\$3.00 in 1864 and 1865;⁷⁴ while higher assessments were reported, and in one town the tax stood at \$4.25. For the entire state the average poll tax in 1865 was \$2.11, as against \$1.62 in 1861.

Until 1879 the law remained unchanged, and the exception in favor of highway assessments kept the poll tax above \$2.00 in not a few towns.⁷⁵ In that year, however, the legislature enacted the statute now in force,⁷⁶ by which the aggregate assessment upon polls cannot exceed \$2.00. The local assessors are directed to assess the state tax upon polls up to the limit of \$1.00 each, and to assess the balance upon property; while the same procedure is prescribed for the assessment of county taxes. The result is a uniform poll tax of \$2.00 throughout the state.⁷⁷ Since the number of taxable polls steadily increased after 1879 and the state tax remained nearly stationary until 1903, the effect of the existing law was to increase materially the proportion of the annual tax falling upon polls;⁷⁸ and the same is probably true of county taxes. As an offset, however, town, highway, and other local taxes must be levied wholly upon property, and the assessments upon polls can no longer rise above \$2.00, as they frequently did under the former regulations.

⁷⁴ *Aggregates of Polls, Property, and Taxes.*

⁷⁵ Report of Commissioners, 1875, p. 18.

⁷⁶ Ch. 299 of 1879.

⁷⁷ For a time peculiar local conditions made a lower rate possible in five or six towns. Report of Commissioners on Taxation, 1897, p. 4. The latest reports show a tax of \$2.00 in these towns at the present time.

⁷⁸ In 1881, for instance, the 462,900 polls must have paid \$462,900 out of a tax of \$1,500,000. In 1900, 778,900 polls paid \$778,900 in a tax of the same amount. But of the \$4,000,000 tax of 1905, polls paid \$852,400.

CHAPTER VII.

THE GROWTH OF NEW DEBTS AND EXPENDITURES.

(1881-1905)

In the financial policy of the last quarter of a century the controlling factors have been the steady increase of ordinary expenditures, and, since 1889, the growth of a new state debt. Such zeal for retrenchment as was displayed between 1876 and 1880 inevitably invited reaction when business conditions improved, as they did after 1879. Then, too, modern methods of dealing with the problems confronting the state administration called imperatively for larger outlays in various directions. Until 1890 the real or supposed needs of the time were met by increasing the charges upon the ordinary revenue; after that year the credit of the commonwealth also was brought into play.

The state's finances seem to have been governed by the same conditions that controlled the financial affairs of towns and cities in the commonwealth. This will be made clear by the following table, which exhibits the total net indebtedness of all municipalities in selected years, and the aggregate taxes levied upon polls and property in order to meet town, city, and county expenditures¹:

(In millions of dollars.)

<i>Year.</i>	<i>Net indebtedness.</i>	<i>Aggregate local taxes.</i>
1880.....	68.5	23.3
1890.....	70.7	29.8
1900.....	131.0	46.4
1905.....	147.5	53.5

¹ This is ascertained by deducting the state tax levied each year from the aggregate taxes levied for all purposes.

It will be observed that, up to 1890, the outlay of municipalities increased at a moderate rate; and that the ordinary revenues supplied the additional income needed, municipal indebtedness remaining nearly stationary. After that, although the annual tax levy increased eighty per cent. during the next fifteen years, credit was employed so largely that the net indebtedness rose nearly one hundred and nine per cent.² With a difference in the percentages, the same thing is true of the finances of the state.

In the present condition of the accounts, it is very difficult to construct, upon a uniform basis, a table showing the growth of state expenditures from 1880 to 1897. But for 1898 to 1905 the auditor's office has recently compiled a serviceable statement³ which can be compared with the figures computed by the writer for 1880, since care was taken by him to follow the method now used by the auditor. Selecting 1898 and 1903 as the most significant intermediate years, the following table may be constructed:⁴

	(In thousands of dollars.)			
	1880.	1898.	1903.	1905.
Legislative	180.9	337.8	373.2	356.6
Executive	88.1	162.3	195.8	200.5
Judicial	173.9	334.5	417.7	448.9
Public printing	66.4	151.6	80.8	91.8
State House	38.2	96.6	126.3	115.9
	<hr/> 547.5	<hr/> 1,082.8	<hr/> 1,193.8	<hr/> 1,213.7

² The same general conditions manifested themselves throughout the United States. The net indebtedness of counties, municipalities, school districts, and other local units advanced from \$848,532,000 in 1880 to \$925,994,000 in 1890, and to \$1,629,881,000 in 1902. Prior to 1890 there was but little increase; thereafter a very rapid upward movement.

³ See auditor's report 1902, p. 7; and 1905, p. 12.

⁴ In one item, that of public printing, the figures for 1880 are not quite the same as for the later years. For 1880 legislative printing is included with public printing; in the auditor's figures for 1898, 1903, and 1905 legislative printing is included with the legislative expenditures. In 1905, for instance, it amounted to \$35,400.

Boards and commissions.....	76.1	421.4	609.5	884.5
Agriculture and Agric. College	22.5	308.7	226.3	234.5
Educational and State Library	90.5	435.2	869.6	847.2
Charitable	409.5	1,014.5	1,354.0	2,608.6
Penal and correctional.....	337.0	790.8	925.0	998.9
Militia	245.2	268.3	351.7	307.0
Civil War expenditures.....	407.1	756.9	842.7	905.1
Public Buildings	52.4	502.6	307.3	194.8
Miscellaneous	35.5	149.5	154.8	137.9
	<u>1,675.8</u>	<u>4,647.9</u>	<u>5,640.9</u>	<u>7,118.5</u>
Interest	1,684.6	792.6	753.8	891.4
Sinking funds and school fund.		216.7	242.4	395.9
	<u>1,684.6</u>	<u>1,009.3</u>	<u>996.2</u>	<u>1,287.3</u>
Total	3,907.9	6,740.0	7,830.9	9,619.5

Examining the figures in gross, it appears that the increase of expenditures from 1880 to 1898 was 72 per cent., and that the outlay for 1905 was 146 per cent. larger than that for 1880. Reduced to a per capita basis, the increase is less striking, the per capita expenditure being \$2.19 in 1880, \$2.51 in 1898, and \$3.20 in 1905. Nevertheless the rise of the per capita cost of government from \$2.19 to \$3.20 in the last twenty-five years is enough to invite careful attention to its causes, particularly since the greater part of the increase has come about since 1898. Recently the matter has threatened to become a political issue; and there is need, therefore, of thorough and candid examination.

In the first place, it will be observed, there has been since 1880 a material decrease in the interest account, although since 1898 the annual charge has advanced. Sinking fund requirements, upon the other hand, seem to be upon the increase; yet even in 1905 the aggregate interest and sinking fund charges are less than they were in 1880—a fact, of course, which accentuates the growth

of the outlay in other directions. Looking at the other items in our table, it appears that the first five have risen 122 per cent during the last twenty-five years, considerably less than the total expenditures, which, it will be remembered, increased 146 per cent during the same period. Upon the other hand, the next nine items show an advance of 325 per cent, which vastly exceeds the rate of increase of the total expenditures.

A study of the first five items, which concern what may be called the framework of the state government, discloses a general advance which is strikingly large only in one case, the outlay for the State House, which inevitably increased when the old building was enlarged a few years ago. Legislative expenditures did not long remain at the low level of 1880, since the lawgivers soon tired of an economy which began with reduction in their own pay, and advanced their wages to about the old figures of the unregenerate days before 1879. Executive salaries, too, were restored to the former basis after a time; while the growth of public business entailed an increase of clerks and other employees. In this item, and in the growth of judicial expenditures, there is little or no ground for legitimate criticism. Public printing involved some unnecessary expense up to 1902, when the outlay stood at \$181,300; but then a reform was instituted, and the heads of departments were kindly but firmly admonished to reduce the amount of unread and unreadable matter put forth in their annual reports. Upon the whole, therefore, there is at the present time little reason for criticizing the outlay under these five heads.

The nine items in the second group show the cost of administering the various enterprises which the commonwealth undertakes for the welfare of its people. Of these, all but one or two exhibit a startling increase; yet

in most cases an adequate explanation can be found.⁵ The largest advance is in the charitable expenditure. From 1880 to 1898 this was but little larger than the growth of population and improved methods of combating disease or caring for special classes of dependents would lead one to expect. Some waste seems inevitably to attend disbursements for such purposes; but it is equally true that the charitable institutions of Massachusetts are, and have been, a credit to the state. The startling increase since 1903 is due to the fact that in 1904 the commonwealth assumed entire care of the insane,⁶ thereby relieving the towns of approximately \$1,000,000 of charges which they had formerly met. This was a transfer of functions, therefore, and not an additional burden upon taxpayers. Penal and correctional expenditures have been determined largely by the same influences that brought about the steady advance of the charitable. They have increased 110 per cent in twenty-five years, while population increased but 69 per cent; yet few well-informed persons, if any, would care to cut off the new branches of outlay. Educational charges have risen with phenomenal rapidity; yet the money has been well expended in aiding the poorer towns,⁷ providing for the education of the deaf and the blind, and promoting industrial education. One of the creditable features of the financial policy prior to 1902 was the application of large sums from the ordinary revenue to the construction of

⁵ Cf. the statement of the auditor before the committee on ways and means in 1905. Sen. Doc. 346 of 1905.

⁶ Ch. 451 of 1900.

⁷ The state now spends \$93,000 annually in aiding the poorer towns to employ trained superintendents, a highly advantageous measure. Since 1903 the whole expense of normal schools, one-half of which was formerly borne by the school fund, was charged to the ordinary revenue. Ch. 456 of 1903. This enabled the state to turn over

such public buildings as were needed for state institutions.⁸ This explains the large outlay for public buildings shown by our table for 1898; and the reduced expenditure since that time has been a change of questionable profit to the state, as it has meant an increased use of loans. The marked growth of agricultural expenditures has been due to large outlays upon agricultural education, the extermination of disease among cattle, and the warfare upon such pests as the gypsy moth.

The outlay upon boards and commissions in 1905 was larger than usual on account of the expenditure of \$279,840 in taking the decennial census of the state. The figures for 1903, therefore, are nearer the normal expenditure at the present day. Since 1880 the growth of this class of charges has been remarkably rapid, and there is, doubtless, room for criticism at some points. Yet most of the boards and commissions are doing valuable work which it would be mistaken policy to curtail. Practical reform lies rather in the direction of enforcing greater responsibility to the governor of the state. There remains, finally, the one seriously questionable item—that of state aid and relief in its various forms. After the Civil War this sort of outlay gradually declined, from \$932,000 in 1868 to \$407,100 in 1880 and then \$323,000 in 1885. With the federal government disbursing an increasing amount of pension money in Massachusetts, which in 1904 amounted to \$5,121,800, it would seem that the outlay for state aid ought at least to have remained stationary. Instead of doing so, however, it began to rise after 1885 until in recent years it has aver-

\$100,000 of school-fund income to aid the schools of the poorer towns. This was a transfer of burdens rather than an increase.

⁸ From 1881 to 1894 outlay of this character advanced from \$79,400 to \$763,300. From 1895 to 1900 it averaged about \$500,000.

aged about \$850,000, and tends upward rather than downward. It is true that the age of veterans is increasing, and that this fact would make aid necessary in cases where it was not needed before; but it is also true that the number of veterans is decreasing. No other state, so far as is known, finds it necessary to supplement the bounty of the federal government to any such extent as Massachusetts has seen fit to do, and the explanation of her action is probably found in the unfortunate pressure of the "soldier vote". The culminating measure in a series of proposals originating from this source was the veterans' bounty act of 1904,⁹ which was passed over the courageous veto of the governor—only to remain unenforced on account of its certain unconstitutionality. This choice bit of legislation authorized the issue of bonds in order to pay bounties to veterans of the Civil War, not conscripts or substitutes, who had not received bounties at the time of their enlistment. Although professing to call for but \$350,000, it would actually have required a far larger sum, besides establishing a principle that would have opened the door to future raids upon the treasury unpleasant to contemplate.¹⁰ The passage of this act is the best commentary that can be offered upon increased appropriations for state aid in recent years. It is safe to say that an annual saving of several hundred thousand dollars could be effected at this point, with advantage to the real interests of the state; it is safe, also, to venture a prediction that such a proposal will not find favor with the politicians.

Some of the outlay included here consisted of grants to semi-private hospitals and similar institutions.

⁹ Ch. 458 of 1904.

¹⁰ These points were brought out clearly in the veto message of Governor Bates.

Having traced the movement of the ordinary expenditures, we may now turn to the history of the debt of the commonwealth during this period. From 1878 to 1889 no new loans were contracted by the state. The total funded debt, under the operation of the sinking funds, gradually decreased from \$33,220,000 upon January 1, 1878, to \$28,851,000 upon January 1, 1889; while the net debt, or the excess above sinking funds, decreased from \$22,334,773 to \$5,616,000.¹¹ This great reduction of the net liabilities had been brought about almost wholly by the accumulation of sinking funds through the annual interest upon investments, income from lands,¹² and other similar sources.¹³ From the tax revenue, but \$440,000 seems to have been contributed from 1878 to 1888, inclusive.¹⁴ Against the net indebtedness of \$5,616,000 upon January 1, 1889, the commonwealth held \$5,000,000 of Fitchburg common stock, then worth not more than \$1,000,000 although later exchanged for \$5,000,000 of Boston and Maine bonds; as well as unsold lands at South Boston, worth, perhaps, \$2,000,000 more. Appa-

¹¹ Report of treasurer, 1905, p. 21. It should be observed that the treasurer's figures are for Dec. 31, and that those here quoted are of Jan. 1, of each year.

¹² By 1886 the Back Bay enterprise was closed up, with total receipts of \$5,084,000 and a profit of \$3,442,000. Lands donated to public purposes would have been worth \$833,000 more. Report of Harbor and Land Commissioners, 1886, p. 7. Of the total profits about \$700,000 had accrued between 1880 and 1886. The receipts from the South Boston flats no longer went to the sinking funds; but \$197,900 received for rights and privileges in tidewater lands was carried to these funds. See ch. 284 of 1874, resolve 8 of 1872, and Report of Harbor and Land Commissioners, 1887, p. 10.

¹³ Between 1883 and 1890 Massachusetts received \$356,200 upon a Civil War claim.

¹⁴ In 1881 and 1883, \$200,000 of ordinary revenue was appropriated to sinking fund purposes. Then ch. 255 of 1884 appropriated \$60,000 annually for ten years to the prison and hospital loan sinking fund. Under this act \$240,000 was taken from the revenue between 1885 and 1888.

rently the debt was on its way to extinction without further material demands upon taxpayers.

But matters were ordained otherwise. In 1889 it became necessary to provide for enlargement of the State House, and an act was passed, followed subsequently by others, authorizing a loan for this purpose.¹⁵ By January 1, 1890, \$2,530,000 had been borrowed, and before the work was completed total liabilities of \$7,080,000 were incurred.¹⁶ Then, in 1890, radical action was taken with reference to the abolition of grade crossings, and the state bound itself to contribute a certain proportion of the cost of the work.¹⁷ By January 1, 1895, \$650,000 of debt had been contracted in prosecution of this undertaking; by 1900, \$8,000,000; and by 1906, \$8,300,000.¹⁸ In 1894 an important new departure was made by authorizing a loan for the construction of state highways in various parts of the commonwealth,¹⁹—an effective contribution to the movement for the improvement of American roads.²⁰ By gradual stages the bonds issued for highway construction have now risen to a total of \$4,775,000.²¹ In 1894 and 1895 loans were authorized for a new insane asylum and an epileptic hospital;²² and in 1897 another loan, for the improvement of Boston harbor.²³ For the

¹⁵ Chs. 394 of 1889; 404 and 438 of 1892; and 537 of 1901.

¹⁶ Auditor's report, 1906, p. 21.

¹⁷ Chs. 428 of 1890; 374 and 493 of 1892; and 257 of 1896.

¹⁸ Auditor's report, 1906, p. 19. The total expenditure has been \$9,363,908, of which \$2,943,000 has been or is to be refunded to the state by municipalities.

¹⁹ Ch. 497 of 1894.

²⁰ In this same year the act authorizing the construction of boulevards in the metropolitan district provided that half the expense should be borne by the state. Ch. 288 of 1894. By 1906 loans for this purpose aggregated \$2,242,500.

²¹ Auditor's report, 1906, p. 22.

²² Chs. 391 of 1894 and 480 of 1895.

²³ Chs. 486 and 513 of 1897.

asylum and hospital \$1,841,200 were ultimately borrowed;²⁴ and for harbor improvements, \$500,000. The Spanish War led to a fresh loan in 1898, in order to provide state pay and bounties for volunteers,²⁵ and in 1906 a liability of \$1,240,000 was outstanding upon this account. Finally, in 1901, elaborate plans were adopted for the enlargement of various hospitals and public institutions, and for such purposes \$3,024,000 was borrowed from 1901 to the end of 1904.²⁶

Under these successive drafts upon the credit of Massachusetts, the new debts at length began to accumulate faster than sinking funds could extinguish the obligations contracted before 1878. Between 1888 and 1895 not less than \$26,499,800 of old loans matured, and were discharged by the funds pledged for their payment. As a result, in spite of the new debts, the aggregate funded²⁷ liabilities of the state had fallen to \$13,585,000 by January 1, 1896. But thereafter the tide turned, and the total indebtedness increased. By January 1, 1901, it had risen to \$21,996,400,²⁸ and at the opening of 1906 stood at \$26,569,700.²⁹ In this connection it may be interesting to observe that in 1900, by the payment of the Boston, Hartford, and Erie loan, the debt contracted prior to

²⁴ Auditor's report 1905, p. 21. To these loans others have since been added. See note 26.

²⁵ Ch. 471 of 1901.

²⁶ Senate Doc. 346 of 1905, p. 7. The total loans for prisons and hospitals, including the asylum and hospital loans mentioned above, aggregated \$4,767,250 on Jan. 1, 1906.

²⁷ Floating debt has been virtually unknown since the early seventies. Temporary loans are contracted, in anticipation of the current revenue, but these have been repaid invariably before the end of the year.

²⁸ Between 1896 and 1901 the sinking funds extinguished \$7,279,000. No more loans mature until 1909.

²⁹ This excludes the Fitchburg securities loan which will be discussed on a subsequent page.

1880 had been wholly extinguished;³⁰ so that none of the existing obligations date from an earlier period than 1889.

The new loans, like the old, were accompanied by adequate provision for sinking funds, and the net indebtedness has always been materially less than the gross liabilities. In significant years from 1878 to 1906 the showing was as follows:³¹

(In thousands of dollars.)			
<i>Jan. 1.</i>	<i>Funded debt.</i>	<i>Sinking funds.</i>	<i>Net debt.</i>
1878.....	33,220.5	10,885.7	22,334.8
1889.....	28,851.6	23,235.6	5,616.0
1894.....	23,731.4	20,121.6	3,609.8
1896.....	13,585.2	7,444.8	6,140.4
1901.....	21,996.4	5,292.3	16,704.1
1906.....	26,569.7	12,353.9	14,215.8

The outstanding funded debt reached its highest point in 1878 and its lowest in 1896; while the net indebtedness was lowest upon January 1, 1894. Since 1896 the funded debt has steadily advanced, but since 1901 the rapid growth of sinking funds has reduced the net indebtedness by some two and one-half millions. Upon a per capita basis the net direct debt of the state to-day does not exceed \$4.73.

The sinking fund requirements of the new debt have made larger demands upon the ordinary revenue than have ever been necessary before. From 1888 to 1900 approximately \$1,669,700 was thus required; and since 1901, when nothing was needed, the annual payments to sinking funds have risen in some years to \$295,000.³²

³⁰ The Civil War debt had disappeared in 1894. Auditor's report, 1894, p. 539.

³¹ Treasurer's report, 1905, p. 21. From the figures of the total debt and sinking funds for 1906 I have omitted the Fitchburg securities loan of \$5,000,000, with a sinking fund of \$5,000,000, for reasons which will be explained later.

³² My figures for 1888 to 1901 can claim to be only approximately

This is not a heavy charge, but it is sufficient to show that further increase of the debt is likely to make the sinking fund requirements appreciably felt.

In far greater part, however, the sinking funds have been replenished from sources not included in the ordinary revenues. In 1901 the \$5,000,000 of Fitchburg common stock, long carried on the books as an unavailable asset, was exchanged for \$5,000,000 of Boston and Maine bonds which were carried to the sinking fund for the grade-crossings loan.³³ Then in 1905, the sum of \$1,450,560, the net amount received from the United States in settlement of an old war claim, was distributed among other sinking funds.³⁴ In certain years, as 1896 and 1903, no inconsiderable sums accrued from premiums upon loans. Land sales no longer figure among the sinking fund receipts, but prior to 1897, \$210,000 coming from grants of privileges in tidewater lands were thus appropriated.³⁵ By these resources and the accumulated interest of the funds, which, for instance, in 1905 amounted to \$347,956, the burdens of taxpayers have been materially lightened. It is evident also that the commonwealth has adhered firmly to her traditional policy of applying to debt reduction or the creation of permanent funds, as the school fund,³⁶ income received from casual and exceptional sources.

correct. From 1901 onward they are taken from the auditor's report for 1905, p. 12. From his figures, \$100,000 paid annually to the Massachusetts school fund must be deducted.

³³ Treasurer's report, 1901, p. 26.

³⁴ *Idem*, 1905, p. 22.

³⁵ Report of Harbor and Land Commission, 1897. Since 1897 this income has gone into the harbor compensation fund. Of the total receipts up to 1897 (\$408,000) not less than \$197,990 were received prior to 1888, as stated on an earlier page.

³⁶ Thus, in 1891, when the sinking fund did not need enlargement, \$696,000 received from the United States in refund of the direct tax of 1861 was carried to the school fund.

The management of the sinking funds has for a generation or more imposed upon the treasurer responsibility for the investment of ten or twenty millions of dollars, and the large increase of the direct and contingent debt in recent years will add materially to the future work of the office. Thus far this trust has been administered with ability and fidelity, so that in Massachusetts the sinking fund system has not led to the abuses that have sometimes attended it elsewhere. In 1903 the treasurer asked for authority³⁷ to negotiate future loans in the form of serial bonds redeemable, in stated annual installments, out of the ordinary revenue. Since then two small issues of serial bonds, aggregating \$550,000, have been issued, but by far the larger part of recent loans has retained the old form. In 1903 the treasurer argued that serial bonds would show better results than bonds maturing at distant periods and redeemable out of sinking funds, but all known rules of investment practice point to the opposite conclusion.³⁸ The advantage of the serial bond lies rather in the fact that it saves the trouble and risk of handling sinking funds. How much more interest the state would have to pay if it attempted to market large quantities of this class of securities, cannot be precisely determined; and opinions differ concerning the advisability of departing from the previous practice of the commonwealth. It is clear that in the seventies, when securities of the right sort could be bought upon a six-per-cent investment basis, the management of sinking funds was an easier matter than it is to-day; yet the commonwealth now lends considerable sums to towns and cities, and

³⁷ Report for 1902, pp.31-34.

³⁸ The serial bonds already issued have been sold in small amounts with other bonds. It is reported that the bankers are experiencing some difficulty in disposing of the last issue.

finds no difficulty in securing something more than a three-per-cent return.³⁹

The very considerable increase of the direct debt since 1889 has been accompanied by the rise of a still larger contingent debt which has been the subject of much discussion. In 1888, for the better accommodation of the militia, the state lent its credit to cities by authorizing what is known as the armory loan.⁴⁰ Bonds were issued as fast as the municipalities desired, and the aggregate loans contracted for this purpose reached the sum of \$2,100,000 at the opening of 1906. The payment of interest and creation of an adequate sinking fund are provided for by an annual assessment upon the towns in question, and the only liability assumed by the commonwealth is contingent upon the failure of the municipalities to meet their obligations. Unlike the bonds issued in aid of railroad construction in the forties and sixties, these new loans involve a contingent obligation which, from the nature of the relation between the commonwealth and municipal corporations, is too remote to be worthy of serious consideration.

A second and far larger class of contingent obligations was incurred for the benefit of the so-called metropolitan district.⁴¹ Within a radius of a dozen miles of the State House were forty-one cities and towns, with an aggregate population in 1905 of 1,275,364, which were developing into an area of practically continuous settlement. It had become evident that a permanent water supply and satis-

³⁹ Up to 1880 the sinking funds were computed upon a six-per-cent. basis. Auditor's report, 1880, p. 12. By 1883 a four-per-cent. basis was adopted for future computations. *Idem*, 1882 and 1883. The present basis is three per cent.

⁴⁰ Ch. 384 of 1888.

⁴¹ Upon the metropolitan debts see a pamphlet issued by the treasurer's office in 1905 and 1906; also A. D. Chandler, *The Metropolitan Debts of Boston and Vicinity*.

factory sewerage facilities could be had in this district only by the adoption of a single comprehensive system of public works; and that further uncoördinated efforts by the different municipalities could afford nothing but temporary relief, at an ultimate waste of money in misdirected expenditure. Therefore, in 1889, the Board of Metropolitan Sewerage Commissioners was established,⁴² and authorized to construct and maintain a system of sewage disposal, borrowing the money needed for this purpose. In 1895 another board, later consolidated with the sewerage commission, was created and empowered to construct and maintain metropolitan water works.⁴³ Meanwhile plans had been adopted for a magnificent system of parks in the metropolitan district, and another commission had been appointed to carry out this enterprise.⁴⁴ With their scope broadened by subsequent enactments, these projects have resulted in a series of public improvements unexampled in the history of the state, and unique in the experience of American commonwealths. By January 1, 1906, the metropolitan sewer debt stood at \$13,797,900; the water debt, at \$39,150,000; and the park debt, at \$11,582,500.⁴⁵ With the armory debt included, the aggregate contingent debt of Massachusetts at that date was \$66,630,400.⁴⁶

The growth of the contingent debt is shown in the following table which states the total liabilities, sinking funds, and net indebtedness for selected years:⁴⁷

⁴² Ch. 439 of 1889.

⁴³ Chs. 488 of 1895 and 168 of 1901.

⁴⁴ Chs. 342 of 1892, 407 of 1893, and 288 of 1894.

⁴⁵ With the park debt I include the loan for the improvement of the Charles River Basin. Ch. 465 of 1903.

⁴⁶ Auditor's report, 1905, p. 7.

⁴⁷ These figures are like those in the treasurer's report for 1905, p. 22, except that the Fitchburg securities loan, with a principal of

(In thousands of dollars.)			
<i>Jan. 1.</i>	<i>Contingent debt.</i>	<i>Sinking funds.</i>	<i>Net debt.</i>
1890.....	830.0	99.5	730.5
1895.....	8,040.0	324.4	7,715.6
1900.....	37,525.0	2,512.2	35,012.8
1906.....	66,630.4	7,328.6	59,301.8

Inasmuch as these loans were contracted for works of lasting utility they run for periods of forty years, none of them maturing before 1934. Accordingly the sinking funds have accumulated at a very moderate rate, but are believed to be ample for all purposes.

Such making of debts had never been known in the history of the state. Accompanying, as it did, a fairly rapid increase of the direct debt, it gave rise to fear that the credit of Massachusetts would be impaired and an intolerable burden would be placed upon her people.⁴⁸ Undoubtedly there was, at times, a tendency to proceed too rapidly with the new undertakings; and Governor Crane did well in 1900 to advise, and enforce, a slackening of the pace.⁴⁹ In 1905 Governor Douglas sent the legislature a special message upon the subject of the state's finances, calling attention to what he considered an "alarming increase in the state debt" as well as to the rapid growth of ordinary expenditures.⁵⁰ And inasmuch as the aggregate debt of Massachusetts, direct and con-

\$5,000,000 and sinking fund of like amount, is excluded. In the treasurer's table this loan appears from 1893 to 1901.

⁴⁸ From 1880 to 1890 state debts throughout the country decreased from \$274,745,000 to \$211,924,000. From 1890 to 1902 they increased by only \$22,390,000. During these twelve years most of the states decreased their net indebtedness, Massachusetts and a few others proving an exception to the rule. Of late other states have seemed inclined to follow the lead of Massachusetts.

⁴⁹ Message of Jan. 1900.

⁵⁰ This message called out a reply from the auditor. Sen. Doc. 346 of 1905.

tingent, has advanced from \$28,851,000 upon January 1, 1889, to \$93,200,000 upon January 1, 1906,⁵¹ while the net debt has risen from \$6,504,000 to \$73,516,000, it may seem, at first glance, that there is reason for alarm.

But careful study will show that, with one possible exception, every loan contracted since 1889 was fully justified, and that, upon the whole, no equal amount of public money was ever expended to better advantage in this or any other state. Considering first the contingent debt, which is the larger, it must be admitted by all that the money expended for water and sewerage purposes would have had to be expended at some time by the several towns and cities in the metropolitan district; and that greater efficiency and economy have been secured by having the work undertaken upon a comprehensive scale, and with due regard to the needs of the future. It should be remembered, too, that the metropolitan board took over the sources of water supply of the city of Boston, paying \$12,500,000 therefor; so that the new debt actually created is less, by that amount, than the statistics indicate. The large expenditure upon parks would have been unnecessary or unjustifiable in a less populous or wealthy state, but in Massachusetts it has been a work of genuine statesmanship, resulting in untold benefits to this and to future generations. Undoubtedly the metropolitan debts, which represent a per capita liability of over

⁵¹ From this figure I omit the Fitchburg Railroad securities loan. In 1893 one of the sinking funds from which large payments were about to be made contained \$5,000,000 of Fitchburg bonds then bearing 3½ per cent. interest which was soon to increase to 4 per cent. If the bonds had been sold at that time they would have commanded a lower price than would be obtainable later. Therefore \$5,000,000 was borrowed, and the bonds were placed in a sinking fund to discharge the new loan. The debt, therefore, is purely nominal. See treasurer's report, 1893, pp. 12-16; ch. 408 of 1893. The debt of Massachusetts is nominally \$98,200,000.

fifty dollars for the population of the district, involve heavy annual charges for interest and sinking fund requirements. For 1906 the assessments upon the towns and cities amounted to \$3,975,000, of which Boston paid about two thirds; but if the inhabitants of the district secure an equal return from the rest of their annual outlay no embarrassment will ever arise.

And with the direct debt the general verdict must be the same, with a possible qualification in the case of the prisons and hospitals loan authorized in 1901. The enlargement of the State House was a needed improvement which was honestly carried through; the abolition of grade crossings was an absolute necessity in any state as thickly populated as Massachusetts; the building of state highways was an enlightened effort to improve conditions disgraceful to a civilized community; and no criticism has ever been raised against the harbor improvement or the Spanish War loans. The debt contracted for enlarging prisons and hospitals in 1901, and subsequently, was singled out by Governor Douglas for special criticism in his message of 1905, and as earnestly defended by the auditor in his reply to the governor's strictures. Mr. Douglas charged that, under this loan, thirty-year bonds were issued for such purposes as painting buildings, concreting walks, and installing electric-lighting apparatus. But the auditor's statement makes it clear that the money was used in providing additional accommodations for some 3,000 patients in various asylums and hospitals.⁵² In 1901 when the demand for additional accommodations was foreseen, it was found that the most economical plan would be to enlarge existing institutions rather than to construct new ones; and there can be no question but that

⁵² The whole amount of the expenditures mentioned by the governor was but \$87,500.

it was as legitimate to borrow money for the first purpose as for the second. It may be fairly questioned, however, whether the state would not have done better to provide the money from the ordinary revenue. Massachusetts is now committed to the maintenance of so many hospitals, asylums, and schools that we can foresee an annual demand⁵³ for some three or four-hundred thousand dollars for constructing new buildings or enlarging old ones. Under such conditions borrowing affords taxpayers but temporary relief, and is attended with some danger, as the experience of American cities shows.

Although the creation of the metropolitan and the new direct debts has been justified by its results, the liabilities of the commonwealth are now large enough to make a conservative policy advisable for the next decade or two. Since 1890 the aggregate liabilities resting upon the taxpayers of Massachusetts have increased at a very rapid rate, as may be seen from the following statistics of the *net* state and municipal indebtedness:⁵⁴

	(In millions of dollars.)			
	<i>Net state debt.</i>	<i>Net metropol- itan debt, etc.</i>	<i>Net muni- pal debt.</i>	<i>Total.</i>
1880.....	20.8	....	68.5	89.3
1890.....	6.5	0.7	70.7	77.9
1900.....	16.7	35.0	131.0	182.7
1905.....	14.2	59.3	147.5	221.0

⁵³ From 1883 to 1889 expenditures out of the ordinary revenue for such purposes ranged from \$176,300 to \$337,600; from 1890 to 1899 they ranged from \$409,400 to \$782,300. Since 1901 they have declined because the state has been borrowing.

⁵⁴ County debts are comparatively small, and may be omitted from the table. The federal census gives the following statistics of net county indebtedness:

1880 = \$1,371,200
 1890 = 4,051,800
 1902 = 2,860,900

Translated into per capita figures, this means that since 1890 the net indebtedness has advanced from \$34.80 to \$73.50 for every person living in the commonwealth; if this process should continue for another fifteen years, the pressure of taxation would probably be increased to a highly undesirable extent.

Up to the present time the growth of the direct and metropolitan debts has not seemed to affect the credit of the state. The rate of interest upon new loans steadily declined for a number of years until in 1900 three-per-cent. bonds commanded a premium of from two to four per cent. Since then the rate has slightly increased, but not more than the condition of the general bond market seems to account for. In 1905 bonds bearing three and one-quarter per cent. interest sold at par, and a three-and-one-half-per-cent. issue was sold at from 102 to 106; in 1906 an average price of 103.09 was realized for three-and-one-half-per-cent. bonds. The issues of the latter year, however, had the benefit of a recent law⁵⁵ exempting from taxation state bonds issued or to be issued after January 1, 1906. If cities and business corporations generally had not had similar experiences in placing their bonds, we might conclude that Massachusetts had run so far in debt as slightly to injure her credit. But as matters stand, it is not fair to draw any such inference; and it cannot be shown that the financial policy of recent years has impaired the credit of the commonwealth.

From questions of debt and expenditure we now turn to problems of ways and means. The corporation taxes, as they stood in 1880, were under criticism at various points, and in 1881 the rates were in two instances materially reduced.

The new tax upon life insurance companies had met with

⁵⁵ Ch. 493 of 1906.

violent opposition, and a demand had arisen for its repeal. Even the tax commissioner, who warmly defended the principle of the tax, conceded that the rate was excessive, and advised that it be reduced from one half to one fourth of one per cent. of the net valuation of policies.⁵⁶ This advice was speedily adopted,⁵⁷ and the agitation for the repeal of the tax gradually subsided. Upon the revenue of the state the immediate effect of this action was not of great importance⁵⁸ since the business of life insurance had not then assumed the proportions it subsequently attained. On the valuation of the policies subject to the tax in 1905, the original rate established in 1880 would mean an additional income of about \$300,000.

Far more important were the consequences of the reduction of the rate levied on savings-bank deposits. Early in the seventies the rate of three fourths of one per cent. established in 1868 had seemed to many persons unfairly low; but by 1881 the legislature came to the conclusion that the tax should be reduced to one half of one per cent.⁵⁹ the figure subsequently maintained. A

⁵⁶ Report for 1880, p. 15.

⁵⁷ Ch. 219 of 1881.

⁵⁸ During the year that the rate of one-half of one per cent. was in force the total assessment was \$194,900; during the next five years, under the lower rate, the assessments varied from \$97,100 to \$99,200. From 1879 to 1883 the receipts from insurance companies were:

(In thousands of dollars.)

<i>Year.</i>	<i>Life insurance cos.</i>	<i>Fire and marine insurance cos.</i>	<i>Total.</i>
1879.....	.....	113.7	113.7
1880.....	92.6	129.5	222.1
1881.....	195.3	133.3	328.6
1882.....	98.9	140.3	239.2
1883.....	100.3	151.0	251.3

The figures represent the receipts at the treasury, not the taxes assessed. Thus one-half of the taxes assessed upon life companies in 1880 was not paid until 1881.

⁵⁹ Ch. 305 of 1881.

further concession was granted in the same year when a change was made in the taxation of mortgaged real estate. Prior to that time mortgages had been taxable, as personal property, in the hands of the holder, or at least nominally taxable; but a law enacted in 1881⁶⁰ provided that thereafter a mortgage upon taxable real estate should be exempt from taxation as personalty.⁶¹ Not illogically the savings banks claimed and secured exemption for so much of their deposits as was invested in loans secured by mortgages of taxable real estate, an exemption of very great importance since a large part of their investments were of this character. In 1881 the tax of three fourths of one per cent. upon savings-bank deposits yielded \$1,704,800.⁶² The reduction of the rate to one half of one per cent., even if the amount of deposits had remained stationary, would not have reduced the receipts by more than \$568,000; as a matter of fact, by 1882 they had fallen off \$911,100, although the volume of deposits had steadily increased. Apparently the reduction of the tax and the exemption of deposits invested in mortgages caused an immediate loss of revenue of nearly one million dollars,⁶³ and forced an increase of

⁶⁰ Ch. 304 of 1881.

⁶¹ Mortgaged realty is taxed without deduction for the mortgage, and the mortgagor and mortgagee arrange between themselves for the payment of the tax on that part of the property represented by the mortgage. Practically the mortgagor is compelled to pay the whole tax.

⁶² In 1875 the yield had been \$1,802,900, but thereafter deductions granted savings banks for taxes paid on national bank shares reduced the revenue. In 1880 the yield was \$1,616,400.

⁶³ The yield of the savings-bank tax in significant years was as follows:

(In thousands of dollars.)

1862.....	228.7	1882.....	793.7
1870.....	1,005.6	1885.....	858.1
1881.....	1,704.8	1890.....	1,064.8

the state tax.⁶⁴ Partial compensation was found in a material decrease of the allowance made to savings banks for the tax levied upon national bank shares owned by them,⁶⁵ but more than twenty years were to elapse before the growth of deposits gradually restored the yield of the savings-bank tax to the level reached in 1881. During this period no further experiments were attempted.

Prior to 1898 no material changes occurred in the general corporation tax other than amendments designed to insure effective taxation of telegraph and telephone companies,⁶⁶ but in that year a radical departure was made in the treatment of street railways. For several years there had been discussion of this subject, because such corporations, owning less real estate than steam railroads and generally less machinery than gas companies,⁶⁷ paid a small amount of local taxes upon real estate and machinery and had a larger "corporate excess" to be taxed by the state.⁶⁸ On the ground that the

⁶⁴ *Cf.* message of governor, Jan. 1882.

⁶⁵ Under the law of 1873 (ch. 315, sec. 12), savings banks were allowed to deduct from the savings-bank tax the entire tax paid by them on national bank shares which they owned. The law of 1881 (ch. 305, sec. 2) limited the amount of the deduction to a sum not larger than the savings-bank tax assessed on that portion of the deposits invested in bank shares. Since the bank tax was at the rate of fifteen or sixteen dollars in the thousand, and the savings-bank tax at the rate of five dollars, the law of 1881 reduced the deduction materially. Prior to the change the banks received a deduction of \$395,542 on their holdings of bank shares; in 1882 they received a deduction of \$126,551.

⁶⁶ Chs. 117 of 1880, sec. 2; 238 of 1885; and 270 of 1886. For an account of the general corporation tax as it stood in 1897 see the Report of the Commission to Inquire into the laws of the Commonwealth Relating to Taxation (1897).

⁶⁷ Almost the entire plant of gas and electric-lighting companies was taxable as real estate or machinery. *Cf.* Sen. Doc. 9 of 1894, p. 28.

⁶⁸ See House Doc. 976 of 1893; Sen. Doc. 9 of 1894; and House Doc. 475 of 1898, pp. 262-268.

traffic of street railways is of purely local character, a law⁶⁹ was finally enacted by which the entire franchise tax upon such companies is now distributed among the towns and cities in which the tracks are situated.⁷⁰ By this measure the state lost the revenue formerly accruing to it from shares owned by non-resident stockholders in street railways. The results of the law of 1898 are clearly perceptible in the assessments for that year, since the total taxes upon all corporations included in the general list advanced from \$3,787,600 to \$4,184,200, while the share accruing to the state decreased from \$1,092,300 to \$1,051,300. But thereafter growing business prosperity led to an unprecedented advance in the valuation of corporate franchises, with the result that the revenue falling to the commonwealth materially increased.

Five years later⁷¹ further changes were effected. Complaints that the existing franchise tax upon manufacturing and mercantile corporations was "driving capital out of the state", or at least preventing capitalists from incorporating under the laws of Massachusetts, were considered by a commission appointed to investigate the general corporation laws.⁷² The outcome was the enactment of the so-called business corporation law of 1903,⁷³ applicable to manufacturing and mercantile companies only,

⁶⁹ Ch. 578 of 1898, sec. 4.

⁷⁰ The state now receives (chs. 413 of 1900 and 413 of 1901) taxes paid by street railways in respect of tracks located in metropolitan parks and state reservations. The amount is insignificant.

⁷¹ Meanwhile in 1902 a light tax on the interest which any domestic corporation might have in vessels engaged in the foreign carrying trade was substituted for the existing tax on the income of such vessels. Ch. 374 of 1904. In 1906 this yielded but \$4,230.

⁷² See Report of the Committee on Corporation Laws, created by ch. 335 of 1902.

⁷³ Ch. 437 of 1903. Cf. Grosvenor Calkins, in *Quarterly Journal of Economics*, XVIII, 269-279.

which changed in three important particulars the rules prescribed for assessing or taxing corporate franchises.

In the first place, it was provided that in determining the taxable "corporate excess" deduction should be made not only for real estate and machinery within or without the commonwealth,⁷⁴ but for all property located in other states and subject to taxation therein. Thus merchandise and other tangible assets employed outside of Massachusetts are no longer liable to be doubly taxed. A second new deduction was authorized in the case of securities which, if owned by natural persons resident in the commonwealth, would not be subject to taxation. Prior to this time it had been impossible to organize under the laws of Massachusetts a holding company to acquire and hold the shares of Massachusetts corporations, without paying the full corporation tax upon securities already fully taxed; an injustice that invited such correction as was here made. And finally, the new law placed a maximum limit upon the tax thereafter assessed upon the franchises of manufacturing or commercial companies, by limiting it to a sum not exceeding a tax levied upon a valuation,—after deducting real estate, machinery, and non-taxable securities,—equal to one hundred and twenty per cent. of the value of the tangible assets and taxable securities owned by any corporation.⁷⁵ This confused and clumsy amendment, which needed to be elucidated by the attorney general before the tax commissioner could apply it,⁷⁶ was intended to limit the tax imposed upon companies having a very large proportion of intangible

⁷⁴ As had been the practice ever since 1865.

⁷⁵ The law stipulates, however, that the total taxes, including local taxes upon real estate and machinery, paid by a corporation, shall not be less than one-tenth of one per cent. of the market value of its capital stock.

⁷⁶ See report of tax commissioner for 1905, pp. 21-27.

assets, such as patent rights or good will. It has proved exceedingly unjust in its practical operation and should be changed at the earliest opportunity.

The immediate effect of the new deductions and the maximum tax limit established for mercantile and manufacturing concerns was to reduce materially the revenue derived from the franchise tax.⁷⁷ With other contributing causes,⁷⁸ the aggregate assessments upon all corporations on the general list were \$583,540 smaller in 1904 than they had been under the old law; the share of the commonwealth being reduced by \$117,000, and the balance of the loss falling upon the towns and cities. But the following year the assessments advanced to the highest figures ever known, slightly exceeding those for 1903.

Corporations upon the general list, subject, that is, to the franchise tax, are now divided into three distinct classes which at various points are treated by diverse methods. For 1905 the statistics of the three classes were as follows:

Tax on public service corporations other than	
street railways	\$3,083,847
Street railways	980,954
Other corporations	1,791,686
<hr/>	
Total	\$5,856,487

The total assessments upon corporations in the general list for significant years since 1880 stand as follows:

⁷⁷ The deductions for property outside the state and for securities locally taxed reduced the assessment by \$252,000. The maximum tax limit caused a loss of something less than \$208,000, but the precise amount cannot be ascertained.

⁷⁸ The subject is fully discussed in the report of the tax commissioner for 1904, pp. 21-24.

(In thousands of dollars.)

<i>Year.</i>	<i>Total tax.</i>	<i>Distributed to towns and cities.</i>	<i>Accruing to the state.</i>
1880.....	1,626.6	1,204.5	422.1
1890.....	3,157.9	2,360.7	797.2
1900.....	5,108.1	3,761.8	1,346.3
1905.....	5,856.5	4,470.1	1,386.4

The figures for the intermediate dates would show a steady increase from year to year—moderate from 1880 to 1885, then at an accelerating pace until 1893, but slightly retarded by the great panic, and finally, since 1897, surpassing all records. The conversion of partnerships into joint-stock companies explains part of the increase in the class of mercantile and manufacturing corporations; the growth of electric traction and lighting enterprises, the rise of the telephone industry, the development of trust companies, the steady enhancement of the value of railroad franchises, account for still more; and finally the great prosperity of the commonwealth since 1897 has contributed not a little to the results of recent years.⁷⁹

Besides changing the franchise tax on manufacturing and mercantile companies, the law of 1903 introduced a

⁷⁹ From the auditor's reports for 1871 and 1905, I am able to construct the following table showing the tax assessed on various classes of corporations:

(In thousands of dollars.)

	1871.	1905.
Railroads	747.9	1708.8
Street railways	47.2	979.0
Telegraph and telephone companies...	5.0	486.5
Electric light companies.....	...	276.9
Gas companies	19.7	44.8
Trust companies	4.0	478.2
Steamboat companies	2.4	80.3
Manufacturing and mercantile cor- porations	454.5	1686.4

Stock insurance companies show a decrease from \$176,500 to \$65,100.

new corporation tax—an excise duty upon foreign corporations carrying on business within the commonwealth.⁸⁰ Fixed at the very low rate of one one-hundredth of one per cent. of the par value of the authorized capital stock, the new duty as yet brings in but small revenue—\$48,129 in 1905. It represents, however, the important principle, that the state can tax a foreign company permitted to transact business within its borders; and may yet develop into something equivalent to the franchise tax upon domestic companies. For such an excise the corporation taxes of New York and Pennsylvania furnish a precedent.

The aggregate state revenue from corporation taxes was materially reduced after 1880 on account of the concessions granted to savings banks, and even in 1890 it was but slightly larger than it had been ten years before. But thereafter the income from these sources began to show a steady increase which in recent years has proceeded at an accelerated rate. For significant years the figures are as follows:⁸¹

	(In thousands of dollars.)			
	1880.	1890.	1900.	1905.
General corporation tax.....	441.1	957.0	1,020.7	1,347.6
Savings-bank tax	1,616.4	1,064.8	1,470.3	1,809.7
Bank tax	207.4	490.9	402.3	366.4
Insurance taxes	222.1	325.2	536.6	753.0
Miscellaneous ⁸²	13.4	31.5	48.2	60.7
Total	2,500.4	2,869.4	3,478.1	4,337.4

⁸⁰ Ch. 437 of 1903, sec. 75.

⁸¹ Like previous tables of state revenue, this shows not the taxes due in any year but the actual receipts.

⁸² Coal and mining companies' tax, foreign railroads' tax, and foreign corporations' excise. Corporation fees and charges, for filing incorporation papers, for costs of inspection and regulation,

The license tax upon dealers in intoxicating liquors remained unchanged until 1888, and the revenue derived by the state gradually increased from \$156,000 in 1880 to \$249,300 in 1887. In 1888 a high-license law was enacted,⁸³ by which the number of licenses to be granted in any town or city was restricted, and the amount of the tax materially increased.⁸⁴ Under this act the total payments for licenses advanced immediately from \$1,286,000 to \$1,812,000, the revenue of the state being benefited proportionately.⁸⁵ Since 1888 no important changes have been made in the law, but the yield of the license tax has steadily grown. From \$249,300 in 1887, the state's share advanced to \$426,300 in 1890, \$805,200 in 1900, and \$840,500 in 1905.⁸⁶ In the latter year it formed about eight per cent. of the tax revenue of the commonwealth.

As early as 1884 a bill providing for an inheritance etc., are not included. The total of these charges in different years has been approximately as follows:

(In thousands of dollars.)

1860.....	0.9	1890.....	116.9
1870.....	52.3	1900.....	176.0
1880.....	71.7	1905.....	234.7

⁸³ Chs. 340 and 341 of 1888.

⁸⁴ Cf. Rowntree and Sherwell, *Taxation of the Liquor Traffic*, I. 330 *et seq.*

⁸⁵ Up to 1881 no statistics of the total collections were compiled. Then ch. 54 of 1881 directed that the local authorities should make annual returns to the secretary of state. House Doc. 52 of 1882 presents the first statistics; since then the returns have been published annually. On the immediate financial results of the law of 1888, see report of the auditor for 1889, p. 5.

⁸⁶ In these years the total collections from licenses have been:

(In thousands of dollars.)

1881.....	611.2	1900.....	3,211.7
1890.....	1,775.9	1905.....	3,405.6

Of the \$3,405,600 collected in 1905, not less than \$2,420,500 came from first-class, and \$853,100 from second-class licenses. Other classes yielded \$132,000.

tax was introduced in the legislature,⁸⁷ and discussion of the subject continued until in 1899 an association of Boston business men indorsed the proposal.⁸⁸ In 1890 and 1891 Governors Brackett and Russell recommended an inheritance tax graduated according to the degree of relationship, and in the latter year the legislature enacted a law imposing a duty of five per cent. upon collateral legacies and successions.⁸⁹ Some difficulties were experienced at the outset in securing from probate courts proper returns of taxable estates;⁹⁰ and the constitutionality of the law, although never doubtful, was unsuccessfully assailed, payment of taxes upon many estates being withheld to await the result of the litigation. Prior to 1895, therefore, the receipts were small, but since then they have ranged from \$400,000 to \$700,000.⁹¹

At various times it has been proposed to graduate the rates and extend the tax to direct legacies and successions, but the state senate has rejected all bills introduced for that purpose.⁹² Since no less than thirty five of the states and territories now employ the inheritance tax, and the tendency of recent legislation is to include direct inheritances and introduce progressive rates, the opposition in Massachusetts to an extension of the existing law has

⁸⁷ House Doc. 364 of 1884. It will be recalled that from 1841 to 1843 a light probate duty or tax had been in existence.

⁸⁸ *Cf.* West, *The Inheritance Tax*, 89.

⁸⁹ Ch. 425 of 1891. Estates of less than \$10,000 are exempted; also distributive shares not exceeding \$500 and legacies to charitable, educational, or religious institutions.

⁹⁰ See reports of treasurer, 1891, 1892, and 1893.

⁹¹ In 1892 but \$13,854 was received; in 1895, \$419,400; in 1905, \$694,200. Interest on delayed payments is excluded from these figures. Complete data may be found in Bulletin 41 of the Massachusetts Bureau of Statistics of Labor, p. 158.

⁹² Sen. Doc. 9 of 1894, p. 25; governor's message, March 21, 1905;

sometimes occasioned surprise. Besides the natural antagonism of conservatives, one leading reason for the opposition is reluctance to place an additional resource at the disposal of the legislature. Many persons who cheerfully admit that taxation of direct inheritances is "bound to come", desire, in the interest of economy, to postpone that event as long as possible; or argue that the change should not be made unless some readjustment of revenue is effected, by which taxpayers will secure an offset for the new burden they will be required to bear.

That there is some force in these arguments cannot be denied. Since 1880 the revenue derived from the auxiliary taxes, which are little felt by the majority of citizens, has increased with considerable rapidity, as the following statistics will show :

(In thousands of dollars.)				
<i>Year</i>	<i>Corporation taxes.</i>	<i>License tax.</i>	<i>Inheritance tax.</i>	<i>Total.</i>
1880.....	2,500.4	156.0	.....	2,656.4
1890.....	2,869.4	426.3	.....	3,295.7
1900.....	3,478.1	805.2	400.8	4,684.1
1905.....	4,337.4	840.5	694.2	5,872.1

Here is an increase of practically 121 per cent. in the total income from auxiliary taxes, during a period in which the growth of population has been but 68 per cent. Has this growing resource lightened the weight of the direct tax upon polls and estates?

For many years, undoubtedly, it tended to do so; but of late the ordinary expenditure has risen so rapidly as to cause a marked increase of the state tax. Since 1880 the amount of the annual levy has been as follows :

Huebner, *The Inheritance Tax in American Commonwealths*, in *Quarterly Journal of Economics*, XVIII, 535.

(In thousands of dollars.)

1880.....	1,500	1893.....	2,500
1881.....	1,500	1894.....	2,000
1882.....	2,000	1895.....	1,500
1883.....	1,500	1896.....	1,750
1884.....	2,000	1897.....	1,750
1885.....	1,500	1898.....	1,500
1886.....	1,500	1899.....	1,500
1887.....	2,250	1900.....	1,500
1888.....	2,250	1901.....	1,750
1889.....	2,000	1902.....	1,500
1890.....	1,750	1903.....	2,500
1891.....	1,500	1904.....	2,500
1892.....	1,750	1905.....	4,000
		1906.....	3,500

For the ten years from 1880 to 1889, inclusive, the annual tax averaged \$1,800,000; from 1890 to 1899 the average was \$1,750,000; while for the seven years ending in 1906 it was \$2,464,000.

The increase in the state tax for 1882 and 1884 was due to the reduced yield of the savings-bank tax. In 1885 and 1886 there were moderate deficits,⁹³ attributable partly to the same source, which forced up the taxes for 1887 and 1888. Thereafter the growth of revenue from corporations and licenses made it possible to reduce the state tax until in 1891 it returned to the figure of \$1,500,00. Then a small deficit in 1891 followed by a larger one in 1892 increased the taxes levied for the next three years. In 1895, however, the levy was reduced to \$1,500,000, and little difficulty was experienced in keeping it at substantially that figure until 1901; to the credit for which the increased revenues from corporations and inheritances are entitled. Since 1900, although the auxiliary revenues have risen as never before, the state tax has advanced from \$1,500,000 to \$3,500,000 and \$4,000,000. Clearly enough the legislature has exhibited of late a

⁹³ See governor's message, Jan., 1887.

voracious appetite for all the revenue at its command, and the result of opening up additional sources of income is not hard to conjecture.

The objection is not so much that money has been misapplied or wasted in the past—for, as we have seen, the greater part of the expenditure was thoroughly justifiable; it is that an overflowing treasury encourages the legislature to proceed too rapidly with new enterprises, and greatly increases the danger of extravagant appropriations. Judging from the experience of other states,⁹⁴ a direct inheritance tax, with moderate rates, would add immediately no less than a million or one and one-half millions to the income of the commonwealth. If this, or any similar resource, is to be brought into use, it should be as a part of a scheme for reforming the entire system of state taxation—a subject upon which we cannot enter here.

The state tax of \$4,000,000, levied in 1905, represented a per capita charge of \$1.33. This was not a severe burden for such a state as Massachusetts, but it contrasted unfavorably with the per capita charge of \$0.53 resulting from the tax of \$1,500,000 levied in 1900. Undoubtedly it put an extinguisher upon many schemes, not unprofitable in themselves, for the expenditure of public money; and the legislature of 1906 was glad to be able to reduce the tax for that year to \$3,500,000, while it is not impossible that further reductions may follow. But although effective in restraining the growth of expenditures, the state tax is not now, and for a generation has not been, an important part of the total taxation resting upon polls and estates in the commonwealth. For selected years the

⁹⁴ Data on this subject may be found in the *Quarterly Journal of Economics* for February, 1905; and in *Bulletins* 32 and 41 of the Massachusetts Bureau of Statistics of Labor.

comparative weight of state and local taxes has been as follows:

	(In thousands of dollars.)		
	<i>State tax.</i>	<i>Local taxes.</i>	<i>Total taxes on polls and property.</i>
1880.....	1,500.0	23,255.9	24,755.9
1890.....	1,750.0	29,753.7	31,503.7
1900.....	1,500.0	46,414.1	47,914.1
1905.....	4,000.0	53,476.7	57,476.7

The latest developments in the financial policy of Massachusetts do not justify the expectation that the state tax will be soon abolished. From 1880 to 1900 the growth of auxiliary revenues did, indeed, decrease the relative importance of the tax, but since then the tendency has been the reverse. In significant years the total tax revenue of Massachusetts has been as follows:

	(In thousands of dollars.)					
	<i>Cor- poration taxes.</i>	<i>License tax.</i>	<i>Inheri- tance tax.</i>	<i>Mis- cella- neous.</i>	<i>State tax.</i>	<i>Total tax revenue.</i>
1880.....	2,500.4	156.0	.....	16.5	1,495.0	4,167.9
1890.....	2,869.4	426.3	.....	22.3	1,749.2	5,067.2
1900.....	3,478.1	805.2	400.8	19.1	1,500.0	6,203.2
1905.....	4,337.4	840.5	694.2	18.6	4,000.0	9,890.7

What the future may bring forth, we can only conjecture. If expenditures have for a time reached high-water mark, and if the yield of existing auxiliary taxes increases as in the past, it will be possible to reduce materially the state tax, and perhaps ultimately to abolish it. If a direct inheritance tax is introduced and additional revenue is obtained from corporations⁹⁵ or any other source,⁹⁶ this

⁹⁵ Additional revenue could be had by changing the distribution of corporation taxes, as recommended by the Commission of 1897

result may be accelerated,—provided always that the new income replaces, and not merely supplements, that now derived from taxation of polls and estates. There is not wanting, however, a considerable and influential body of opinion in favor of retaining the state tax as a restraint upon the growth of expenditures, a view which was held by the Tax Commission of 1897.⁹⁷ That some such sobering influence is needed, the history of the commonwealth's finances from 1825 to 1853 and from 1890 to 1905 sufficiently proves; what the precise form of the direct tax should be, is, of course, a matter for further consideration.

(Report, pp. 116-118), or by imposing additional taxes upon foreign corporations.

⁹⁶ The distribution of license charges might be changed. Since the state has recently relieved the towns and cities of the cost of caring for the insane, it might well receive more than one-fourth of the receipts from licenses.

⁹⁷ Report, p. 119.

CHAPTER VIII.

CONCLUSION.

Having examined in detail the financial policy of Massachusetts at each important period in her fiscal history since 1780, we may appropriately conclude by considering the general movement of the state's expenditures, debts, and revenues during the entire time covered by our study. Temporary developments due to fluctuations in economic conditions, and even such serious disturbances as were caused by the War of 1812 and the Civil War, may be left out of account except in so far as they contributed something of comparative permanence to the onward march of events.

The movement of ordinary expenditures is adequately reflected in the statistics for the years 1786, 1825, 1860, and 1905. Accurate classification of the figures for the earlier years is difficult, perhaps impossible; but the following table is substantially correct:

	(In thousands of dollars.)			
	1786. ¹	1825.	1860.	1905.
Legislative, executive and judicial.....	57.3	93.6	405.7	1,213.7
Various branches of administration....	16.4	103.9	686.1	7,118.5
Interest, sinking funds, etc.....	278.7	1.0	102.1	1,287.3
Total	352.4	198.5	1,193.9	9,619.5
Per capita expenditures ²	\$0.88	\$0.35	\$0.97	\$3.20

The reasons for the changes in the expenditures from one date to the next have already been made clear; this table

¹ Excluding the federal requisitions for 1786.

² Stated, of course, in dollars and cents.

is intended merely to show the general movement of the past one hundred and twenty years.

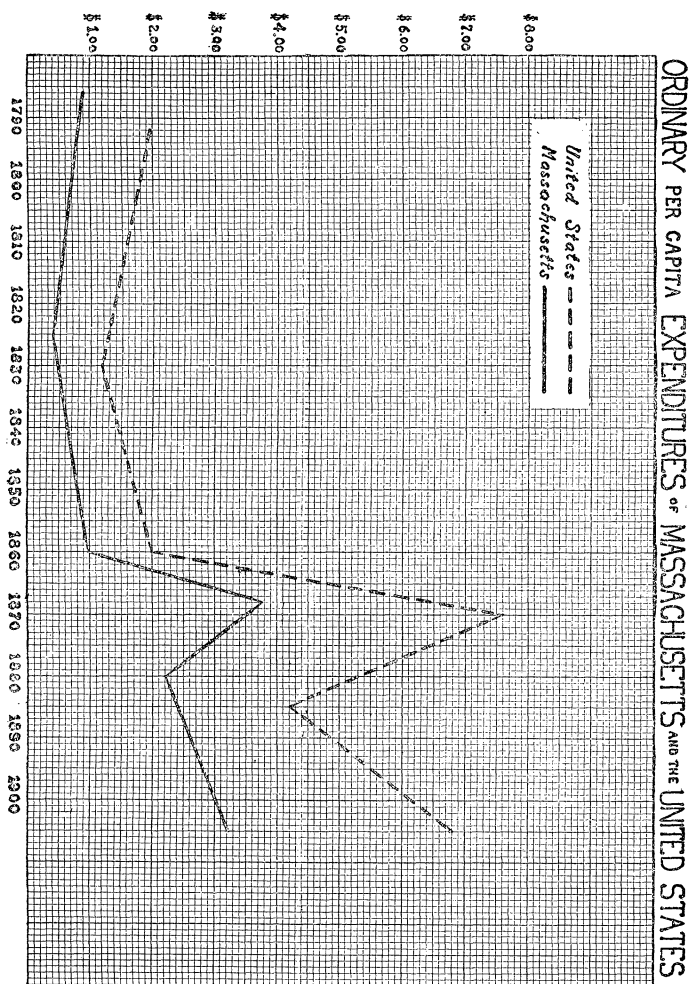
Before leaving this subject it is worth while to call attention to the striking resemblance between the course of federal expenditures in the United States and the growth of public charges in Massachusetts. For approximately similar dates, the per capita expenditures of the United States³ and of Massachusetts were as follows:

	<i>United States.</i>	<i>Massachusetts.</i>
1786.....	.....	\$0.88
1792.....	\$1.97	.....
1825.....	.....	0.35
1830.....	1.18	.....
1860.....	2.01	0.97
1868.....	.....	3.74
1870.....	7.61	.....
1880.....	.....	2.19
1886.....	4.22	.....
1905.....	6.81	3.20

In both cases it appears that the extinction of debts inherited from the Revolution or the War of 1812, coupled with economy in all branches of ordinary outlay, enabled the per capita expenditure to decline steadily until the years 1825 and 1830. Thereafter an upward movement ensued which by 1860 had raised the figures to about the original levels. The next decade witnessed a great increase of annual outlay, the expenditures for 1868 and 1870 being from three to four times as large as those for 1860. Then followed a downward movement lasting from ten to fifteen years, after which the outlay rose, by more or less gradual stages, until in 1905 it was approximately fifty per cent. larger than in 1880 or 1885.

The debt of the commonwealth has undergone remarkable variations, but since 1837 has tended steadily to in-

³ See *Political Science Quarterly*, XVIII, p. 98.



crease. The gross indebtedness from 1786 to 1906 is shown in the following table:

(In thousands of dollars.)			
<i>Year.</i>	<i>Direct debt.</i>	<i>Contingent debt.</i>	<i>Total.</i>
1786.....	5,300 ⁴	.....	5,300
1792.....	2,068	.....	2,068
1843.....	1,214	5,050	6,264
1860.....	1,694	5,049	6,743
1868.....	21,606	5,030	26,636
1880.....	33,034	.....	33,034
1890.....	27,429	830	28,259
1906.....	31,569	61,630 ⁵	93,199

Upon a per capita basis, the figures of the total debt are \$13.30 in 1786, \$7.69 in 1843, \$5.47 in 1860, \$12.60 in 1890, and \$31.03 in 1906.

Statistics of the net indebtedness are available for the last forty-six years, and yield the following results:

(In thousands of dollars.)			
<i>Year.</i>	<i>Net direct debt.</i>	<i>Net contingent debt.⁶</i>	<i>Total.</i>
1860.....	628	.....	628
1868.....	16,111	.....	16,111
1880.....	20,785	.....	20,785
1889.....	5,616	.....	5,616
1906.....	14,215	59,301	73,516

By 1889, although the outstanding principal of the direct debt was \$28,851,000, the growth of sinking funds had reduced the net indebtedness to almost nominal figures which represented a per capita burden of but \$2.50. Since then the aggregate net liabilities have risen to \$24.50 per capita; but of this sum only the direct debt, carrying a

⁴ Approximately £1,600,000.

⁵ Excluding the Fitchburg Railroad securities loan.

⁶ The contingent debt in 1860 and 1868 was secured by railway bonds and by sinking funds, leaving no net debt. In 1880 it had disappeared altogether.

net liability of \$4.70 per capita, is a charge upon the state treasury.

The ordinary revenues of the state have always been derived chiefly from taxation, although from 1794 to 1820 and from 1845 to 1860 something was received from investments. Except for a brief period when there was practically no debt (1821-1837), income from the sale of lands has been turned into sinking funds or the school fund; and money obtained from claims against the federal government has always been similarly applied. Though not large in amount, income from investments, fees, and other miscellaneous sources was a not inconsiderable item in the budget of the commonwealth prior to the Civil War; since then, however, revenue of this sort has been small in comparison with the largely increased receipts from taxation.

For significant years from 1796 to 1860 the ordinary revenues of Massachusetts were constituted as follows:⁷

	(In thousands of dollars.)					
	1796.	1816.	1825.	1837.	1847.	1860.
State tax.....	154.3	142.2	94.4	.....	.....	249.2
Bank tax .....	.....	98.8	144.7	379.2	314.7	646.0
Auction tax .....	.....	.....	24.9	55.9	45.3	.....
Interest and dividends	91.8	.....	.....	.....	71.8	56.4
Miscellaneous .....	.....	47.9	11.5	28.9	68.4	64.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	246.1	288.9	275.5	464.0	500.2	1,016.3

The interest and dividends of 1796 came from the Union Bank stock and United States stocks owned by the commonwealth; in 1847 and 1860 they came from the investment in the stock of the Western Railroad. Possibly,

⁷ For 1796 the figures are taken from Felt, *Statistics of Taxation*, 543, and *State Papers, Finance*, I. 420 and 443. The miscellaneous income for that year is not ascertainable from any records I have yet found, and the total revenue here stated is slightly smaller than it ought to be. For 1816 and the subsequent years the figures are from the table given in the appendix of this essay.

too, the miscellaneous income here stated for 1816 includes some revenue from investments, although the amount of it cannot be ascertained from the printed records. The reasons for the changes in the other items from year to year have been explained at length in the earlier chapters.

From 1860 to 1905 the statistics of the tax receipts show adequately the movement of the ordinary revenue, because other sources of income have been comparatively insignificant.⁸ It may be well, however, to include in our table the receipts from corporation fees, licenses, and inspection charges. To facilitate comparison with previous epochs, the following statistics begin with the year 1860:

(In thousands of dollars.)							
	1860.	1865.	1870.	1880.	1890.	1900.	1905.
State tax.....	249.1	4,689.3	2,506.3	1,495.0	1,749.2	1,500.0	4,000.0
Corporation taxes	650.1	1,025.1	1,716.6	2,500.4	2,869.4	3,478.1	4,337.4
Liquor license tax ....	.....	.....	.....	156.0	426.3	805.2	840.5
Inheritance tax...	.....	.....	.....	.....	.....	400.8	694.2
Miscell. taxes ⁹	13.6	19.5	48.9	16.5	22.3	19.1	18.6
Corporation fees and charges....	0.9	10.0	52.3	71.7	116.9	176.0	¹⁰ 234.7
Total	913.7	5,743.9	4,324.1	4,239.6	5,184.1	6,379.2	10,125.4

The tax revenues for 1905 were substantially eleven times as large as those for the year 1860, and their composition was far more varied. While the increase during this period of forty-five years was about 1,000 per cent., the increase in the population of the state was about 144 per

⁸ In 1905, for instance, the total ordinary revenue was \$10,327,000, and the whole income from other sources than taxes was but \$368,300. Auditor's report, 1905, p. 11.

⁹ Includes tax on alien immigrants, repealed in 1872, and the license tax on peddlers.

¹⁰ This includes \$69,900 of gas company and railroad fees which are now carried to special funds and are no longer included in the ordinary revenue.

cent. If the comparison be carried back to the year 1796, it appears that the ordinary income has risen from \$246,100 to \$10,327,000,¹¹ or more than forty fold; and that the population has advanced from something over half a million to practically three millions, or a trifle less than six fold. Meanwhile the increased wealth of the state and the more varied sources of revenue enable the people to support the charges without serious difficulty.

Not state but local taxation presses severely upon the commonwealth at the present day. In previous chapters statistics have been presented concerning the growth of the taxes levied upon polls and property for state and local purposes, but the development of other sources of revenue since 1860 makes the figures inadequate to show the full increase of the burdens resting upon taxpayers. For this purpose a new table must be constructed showing as nearly as practicable the total taxes of all kinds annually levied in Massachusetts. Lack of information concerning some unimportant branches of local revenue renders it impossible to make the figures absolutely complete, but the following data are believed to be substantially correct, with a margin of error not exceeding one or two per cent:

AGGREGATE TAXES, STATE AND LOCAL, LEVIED IN MASSACHUSETTS.
(In thousands of dollars.)

	1861.	1874.	1879.	1890.	1905.
Poll taxes	455.3	877.7	765.8	1,208.8	1,704.9
Property tax	7,145.2	27,803.5	20,247.0	30,294.9	55,771.8
Corporation taxes ¹²	664.1	4,875.3	4,069.1	6,312.7	10,291.9
Liquor licenses ¹³			556.8	1,775.9	3,405.6
Inheritance tax					694.2
Miscellaneous ¹⁴	19.5	117.8	75.3	139.2	253.3
Total	8,284.1	33,674.3	25,714.0	39,731.5	72,121.7
Per capita	\$6.69	\$20.87	\$14.63	\$17.74	\$24.01

¹¹ Since the figures for 1796 include interest and similar items, I here take the auditor's figures of the entire income for 1905.

¹² The figures give the total taxes annually assessed upon corpora-

The table shows a remarkable increase of taxation up to the year 1874 after which a reaction set in and the burden steadily decreased until 1879. Since then the growth of the annual tax bill has been practically continuous, and the total charge now exceeds considerably the figures for 1874. The so-called auxiliary taxes lighten materially the load that rests upon property, chiefly real estate;¹⁵ but the general property tax still supplies seventy-seven per cent. of the entire proceeds of taxation. Of the \$72,356,400 levied in 1905, only \$10,125,400 was required for state purposes; and of the \$55,771,800 assessed upon property, the state tax represented but \$4,000,000. While the finances of the commonwealth invite serious study and amendment at various points, the pressure of state taxation is not excessive, and the most urgent problems for the reformer lie in the field of local finance and taxation.

After one hundred and twenty-five years of varied experience, the commonwealth now enjoys a high degree of financial prosperity. No state in the Union provides more generously and wisely for legitimate public wants; and this is done without serious pressure upon the resources and industries of her people. Her net direct debt of \$14,215,000 represents a per capita liability of \$4.73, which is more than the average for all states and terri-

tions. Of the \$10,526,600 assessed in 1905 the state treasury received \$4,337,400, representing the whole of the insurance and savings-bank taxes, a small part of the general corporation and bank taxes, and the whole of the miscellaneous taxes on foreign corporations, etc.; the balance was distributed among the towns and cities.

¹³ Of the amounts here stated, one-fourth accrued to the state treasury and the rest was retained by towns and cities.

¹⁴ This represents the last two items given in the table on p. 133, showing the state revenues. Local receipts from dog licenses and similar sources are not reported.

¹⁵ In 1905, \$11,744,000 was levied upon personal property, and \$44,027,000 upon realty.

tories,¹⁶ but not more than circumstances warrant. Upon the other hand Massachusetts has school and other educational funds aggregating \$5,257,000,¹⁷ besides large interests in lands at South Boston which will ultimately be worth¹⁸ from four to five millions more. Mistakes have been made at times, but it has seldom been necessary for a lesson in sound finance to be repeated. For fifty years the fiscal policy of the state has been shaped with increasing wisdom, and in this fact may be found the best guarantee that rational principles will guide the policy of the future.

¹⁶ In 1902, when the per capita net direct debt of Massachusetts was \$4.70, the average debt of American states and territories was \$2.98. The census states the total net indebtedness of Massachusetts at \$22.87 per capita in 1902, or more than seven times the average for the country; but this includes the contingent debt, which, as the census concedes, can properly be classed as municipal indebtedness.

¹⁷ Auditor's report for 1905, p. 546. I do not mention here funds amounting to \$1,859,931 held for the improvement of Boston harbor and the execution of work at South Boston. Since 1894 (ch. 90 of resolves of 1894) \$100,000 of the ordinary revenue has been added to the principal of the school fund, which will soon amount to \$5,000,000.

¹⁸ Up to 1906 the total receipts from the South Boston lands were \$3,392,387 while the total outlay had been \$3,407,344. These figures exclude interest upon the money advanced by the state for the improvements, which would be to some extent decreased by interest on receipts from the lands. In 1906 no less than 131 acres of filled land remained unsold. The Harbor and Land Commissioners very properly refuse to hazard an official estimate of the value of this property. At the moderate figure of \$30,000 per acre,—and present prices are nearer \$40,000 per acre,—we can place the ultimate value of these lands at \$4,000,000. About 287 acres of flats remain unfilled; but to estimate their potential value is useless.

APPENDIX.

(A)

The following tables present statistics of the state tax from 1789 to 1905. The data for tables 1 and 2 may be found in Felt, Statistics of Taxation, 474 and 543; and the data for table 3 may be found in the auditor's report for 1905, appendix, p. III. By a misprint the latter volume states the tax for 1891 at \$1,750,000 instead of \$1,500,000.

TABLE I.

<i>Year.</i>	<i>General tax.</i>	<i>Representatives' tax.</i>	<i>Total.</i>
1789.....	£32,605	£4,840	£37,445
1790.....	25,360	4,155	29,515
1791.....	25,365	4,111	29,476
1793.....	20,008	13,268	33,276
1794.....	40,048	5,020	45,068
1795.....	\$133,470	\$16,289	\$149,759
1796.....	133,394	20,899	154,294
1797.....	133,381	10,368	143,749
1798.....	133,381	18,560	151,941
1799.....	133,435	21,438	154,873
1800.....	133,435	20,554	153,989
1801.....	133,435	23,776	157,211
1802.....	133,331	21,952	155,283
1803.....	133,331	27,392	160,723
1804.....	133,302	23,782	157,084
1805.....	133,302	30,856	164,158
1806.....	133,302	26,078	159,380
1807.....	133,302	38,590	171,892
1808.....	133,302	36,132	169,434
1809.....	133,302	45,736	179,038
1810.....	133,302	34,536	167,838
1811.....	133,302	35,214	168,516

<i>Year.</i>	<i>General tax.</i>	<i>Representatives' tax.</i>	<i>Total.</i>
1812.....	133,333	26,416	159,749
1813.....	133,333	33,333	166,667
1814.....	133,334	.....	133,334
1815.....	133,334	52,640	185,974
1816.....	133,328	28,494	161,822
1817.....	133,342	28,412	161,754
1818.....	133,342	21,396	154,738
1819.....	133,302	17,032	150,334
1820.....	133,382	25,340	158,722
1821.....	104,515	16,580	121,095
1822.....	75,000	18,692	93,692
1823.....	75,000	20,480	95,480
1824.....	75,000	16,990	91,990

TABLE 2.

<i>Year.</i>	<i>State tax.</i>	<i>Year.</i>	<i>State tax.</i>
1829.....	\$75,000	1844.....	\$75,000
1830.....	75,000	1845.....	75,000
1831.....	75,000		

TABLE 3.

<i>Year.</i>	<i>State tax.</i>	<i>Year.</i>	<i>State tax.</i>
1853.....	\$300,000	1873.....	2,250,000
1854.....	300,000	1874.....	2,000,000
1855.....	449,986	1875.....	2,000,000
1856.....	599,982	1876.....	1,800,000
1857.....	899,973	1877.....	1,500,000
1858.....	359,988	1878.....	1,000,000
1859.....	299,994	1879.....	500,000
1860.....	249,995	1880.....	\$1,500,000
1861.....	300,372	1881.....	1,500,000
1862.....	1,797,516	1882.....	2,000,000
1863.....	2,396,568	1883.....	1,500,000
1864.....	2,396,463	1884.....	2,000,000
1865.....	4,700,000	1885.....	1,500,000
1866.....	3,000,000	1886.....	1,500,000
1867.....	5,000,000	1887.....	2,250,000
1868.....	2,000,000	1888.....	2,250,000
1869.....	2,500,000	1889.....	2,000,000
1870.....	2,500,000	1890.....	1,750,000
1871.....	2,500,000	1891.....	1,500,000
1872.....	2,000,000	1892.....	1,750,000

<i>Year.</i>	<i>State tax.</i>	<i>Year.</i>	<i>State tax.</i>
1893.....	2,500,000	1900.....	1,500,000
1894.....	2,000,000	1901.....	1,750,000
1895.....	1,500,000	1902.....	1,500,000
1896.....	1,750,000	1903.....	2,500,000
1897.....	1,750,000	1904.....	2,500,000
1898.....	1,500,000	1905.....	4,000,000
1899.....	1,500,000		

(B)

ORDINARY REVENUES AND EXPENDITURES OF MASSACHUSETTS,
1816-1860.¹

(In thousands of dollars.)

	<i>State tax.</i>	<i>Bank tax.</i>	<i>Auction tax.</i>	<i>Divi- Lands.</i>	<i>Miscel- dends.</i>	<i>Miscel- laneous.</i>	<i>Total revenue.</i>	<i>Total expen- ditures.</i>
1816...	142.2	98.8				47.9	288.9	251.8
1817...	194.5	90.8				36.8	322.1	362.8
1818...	164.5	98.9				6.3	269.8	306.3
1819...	163.5	97.2				6.3	267.1	268.8
1820...	141.4	93.0				22.7	257.1	301.7
1821...	111.5	85.6				12.5	209.7	182.3
1822...	125.6	98.1				14.0	237.7	219.3
1823...	97.5	104.6				47.7	249.8	235.6
1824...	92.7	116.5	27.8	23.8		3.2	264.0	217.1
1825...	94.4	144.7	24.9	10.4		1.1	275.5	198.6
1826...	29.7	165.2	40.3	12.4		2.1	249.6	252.3
1827...		182.4	34.4	8.6		4.9	230.3	293.6
1828...		190.4	34.3	11.9		3.4	240.0	307.8
1829...		202.6	37.4	19.5		3.4	262.9	293.9
1830...	76.2	198.2	33.1	10.9		1.4	319.8	330.4
1831...	73.7	196.9	26.0	19.3		9.2	325.1	381.3
1832...	74.5	232.8	39.5	....		18.8	365.6	304.6
1833...		266.7	43.1	77.3		19.1	406.2	367.4
1834...		294.5	41.7	50.3		23.5	410.0	362.6
1835...		304.2	45.1	89.8		8.5	447.6	495.4

¹ From 1816 to 1823 these figures are taken from House Doc. 1, of 1843. They do not agree precisely with other official statements for certain years, as 1820; but the differences are slight, and are due probably to the fact that the conflicting statements were not compiled on the same basis. From 1824 to 1860 the figures are from the reports of the treasurer.

	<i>State tax.</i>	<i>Bank tax.</i>	<i>Auction tax.</i>	<i>Divi- Lands.</i>	<i>Miscel- dends. laneous.</i>	<i>Total revenue.</i>	<i>Total expen- ditures.</i>
1836...		317.5	57.8	24.5	6.7	406.5	435.5
1837...		379.2	55.9	14.9	14.0	464.0	510.4
1838...		354.6	41.3	13.7	9.8	419.4	491.7
1839...		341.3	53.5	11.2	7.3	413.3	481.2
1840...		344.4	52.7	3.8	4.8	405.7	415.8
1841...		336.0	50.5	6.3	11.5	404.3	399.9
1842...		328.0	54.4	2.4	30.9	415.7	351.6
1843...		313.3	47.0	1.4	19.7	381.4	370.4
1844...	12.7	305.6	40.9	1.9	15.9	377.0	413.6
1845...	70.7	304.7	49.3	2.6 ^a	60.0	505.6	416.4
1846...	66.6	312.0	52.6		50.0	502.1	421.0
1847...		314.7	45.3		71.8	500.2	478.8
1848...		326.8	50.5		94.1	505.3	548.7
1849...		338.3	38.6		87.1	490.9	541.8
1850...		354.7	12.9		80.0	492.8	566.1
1851...		391.1	14.8		80.0	566.4	642.1
1852...		430.3	12.0 ^a		75.0	598.2	674.6
1853...	286.6	443.3			65.0	882.3	877.6
1854...	279.2	525.9			59.7	996.2	990.9
1855...	428.1	578.9			49.4	1,147.8	1,411.2
1856...	584.9	583.4			49.4	1,328.8	1,335.1
1857...	735.4	590.9			56.4	1,484.0	1,359.6
1858...	578.2	606.1			56.4	1,311.4	1,247.1
1859...	302.9	626.9			56.4	1,043.6	1,303.8
1860...	249.2	646.0			56.4	1,016.3	1,193.9

^a After 1845 the amounts credited to the ordinary revenue from this source, being merely deferred payments on lands sold before this income was appropriated to the school and sinking funds, are so insignificant that they are included in the miscellaneous revenue.

^a Tax abolished in 1852. Decreased yield prior to that time is due to amendment of law.

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